2011/2012 BCLC ANNUAL
SERVICE PLAN REPORT

our story

bclc
playing it right

BCLC is proud to be part of almost every sphere of life in B.C. From fun, entertainment and great prizes, to rewarding jobs and community funding, the benefits of our business come full circle.

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Honourable Rich Coleman
Minister of Energy and Mines and Minister responsible for BCLC

Statement of Accountability

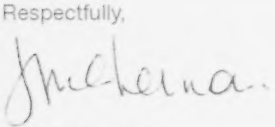
On behalf of the Board of Directors and our employees, I'm pleased to present BCLC's 2011/12 Annual Service Plan Report to the Honourable Rich Coleman, Minister of Energy and Mines and Minister responsible for BCLC.

The report was prepared under the Board's direction as per the *Budget Transparency and Accountability Act* and in accordance with B.C. Reporting Principles. It reflects BCLC's performance against the goals laid out in our 2011/12–2013/14 Service Plan.

The Board is responsible for all content and reporting methods, as well as for the internal controls that ensure information is consistent with the mandate and goals of the organization, is measured and reported accurately and in a timely manner, and aligns with Government's priorities.

Significant decisions and changes to BCLC's strategies, measures, targets or data reliability are identified in the report. All significant assumptions, events and identified risks have been considered in the preparation of the report. Estimates and interpreted information represent the best judgement of management.

Respectfully,



John McLernon
Chair, Board of Directors

message from the Chair and President & CEO

With a rebounding economy, a clear focus on cost management and innovative product and technological development, 2011/12 was a year of measured growth for BCLC. We made strategic changes in the way we work and the way we run our business to improve our effectiveness and ultimately, to deliver more entertainment value for our customers.

Overall, BCLC achieved a record net income of $1,107.4 million, exceeding our target for the year by $2.4 million and exceeding last year's net income by $1.7 million. We had a particularly strong fourth quarter at B.C. casinos and community gaming centres, bolstered by Chinese New Year. Casino and community gaming revenues fell short of target by $41 million, but exceeded last year's net income by $12.1 million. Lottery reached its target with net income of $254.2 million and eGaming saw net income of $24.8 million, a growth of almost twofold over last year, despite slow growth in ePoker, which was behind budget.

We exceeded most of our performance targets for building public trust and support for BCLC gambling, with the exception of our target for greenhouse gas emissions. In the first half of the year, we relocated our Lower Mainland office from Richmond to Vancouver and were responsible for utilities at both sites, so we expect utilities-related to emissions to drop next year—our first full year in a LEED-pending facility.

Net win per capita grew over last year as we continued to benefit from a rebounding economy, but was also slightly short of target. And while we did not meet our target of 83 per cent for employee engagement, it remains high with 81 per cent of staff feeling engaged in their work and our business, contributing to many of the accomplishments we achieved this year. Our success reflects the fact that gambling continues to be a popular entertainment choice for many British Columbians. Casinos are ranked as the fifth most popular form of entertainment among adults —ahead of live concerts, sporting events and shopping— and more than 80 per cent of adult British Columbians played at least one of our games in the past year.

To stay relevant, we've had to think differently about how we interact with our customers to keep up with their ever-changing preferences and evolving technology. The launch of "xchange", an online customer panel, allows us to solicit customer feedback faster and more easily than ever, and embeds players' viewpoints into everything we do, from game and product development to responsible gambling initiatives.

Enterprise-wide collaboration also played an important role in our success this year as we worked to leverage the assets of our business to drive activity across channels and impact our bottom line. PlayNow.com embarked on an exciting partnership with Canucks goaltender and avid poker player Roberto Luongo. The Roberto Luongo Charity Classic Poker Tournament leveraged land-based casinos to differentiate the eGaming space through a star-studded event that appealed to hockey and poker fans alike and helped close the gap between our facilities and online poker play. These initiatives are bringing to life our efforts to listen and respond to customers, and to deliver fun, exciting entertainment options.

This year, BCLC broke new ground in key areas, which show great promise for the future. We're excited about our partnership with Manitoba Lotteries to provide legal, regulated online gambling services to Manitobans through the PlayNow.com platform. This venture speaks to the strength and depth of our eGaming and Information Technology teams, as well as to our responsible gambling program. Manitoba will be the first jurisdiction to adopt GameSense for its online customers. This partnership also marks the beginning of a new line of business that shows incredible potential, and we will look to partner with other jurisdictions in Canada and beyond to leverage economies-of-scale and provide a world class entertainment option that is safe and secure.

With an eye toward the future, this year we began an objective, comprehensive assessment of our business and operating models with a view of enhancing our performance and creating additional value for our shareholder, the Province of British Columbia. Once complete, the review will serve as the roadmap for BCLC's future success, ensuring financial stability.

And, while we saw good performance across all our lines of business, we would not have met our budget targets without a commitment to cost management. With our increasing reliance on technology, it costs more today to earn a dollar of revenue than ever before, requiring a disciplined approach to managing costs. This year, we reduced our advertising and marketing budget by more than 10 per cent, enhanced our procurement process to

save approximately $10 million annually, and revisited our staffing models, resulting in a renewed focus on our core business. These measures, combined with the comprehensive assessment of our business and our continued efforts to develop new games and delivery mechanisms based on customer feedback will help us address the challenge of maintaining long term profitability.

Ensuring our business is sustainable also means we must continue to strike a balance between a healthy bottom line and encouraging our players to make responsible gambling choices. To keep responsible gambling top of mind, we must continually find new and innovative ways to engage our players. To this end, we piloted Responsible Gambling Awareness Week in Vernon, working closely with community partners to bring facts and information to citizens and engage in dialogue about what it means to enjoy our products responsibly. This initiative will take place in Vernon again next year with the intent to expand to other communities in B.C. in the future.

We also launched GameSense for Parents, an award-winning campaign informing families about the risks associated with underage gambling, as well as a blog to talk about responsible gambling with audiences not as easily reached through traditional channels.

After five years of research completed by the B.C. Centre for Social Responsibility, we were able to share the results of Canada's first independent study of the Voluntary Self-Exclusion (VSE) program from the perspective of its participants. The study found VSE enrollees rated the program highly as one of the key resources that helped them gain control of and manage their gambling responsibly, and has provided valuable insight that will guide the program in the future.

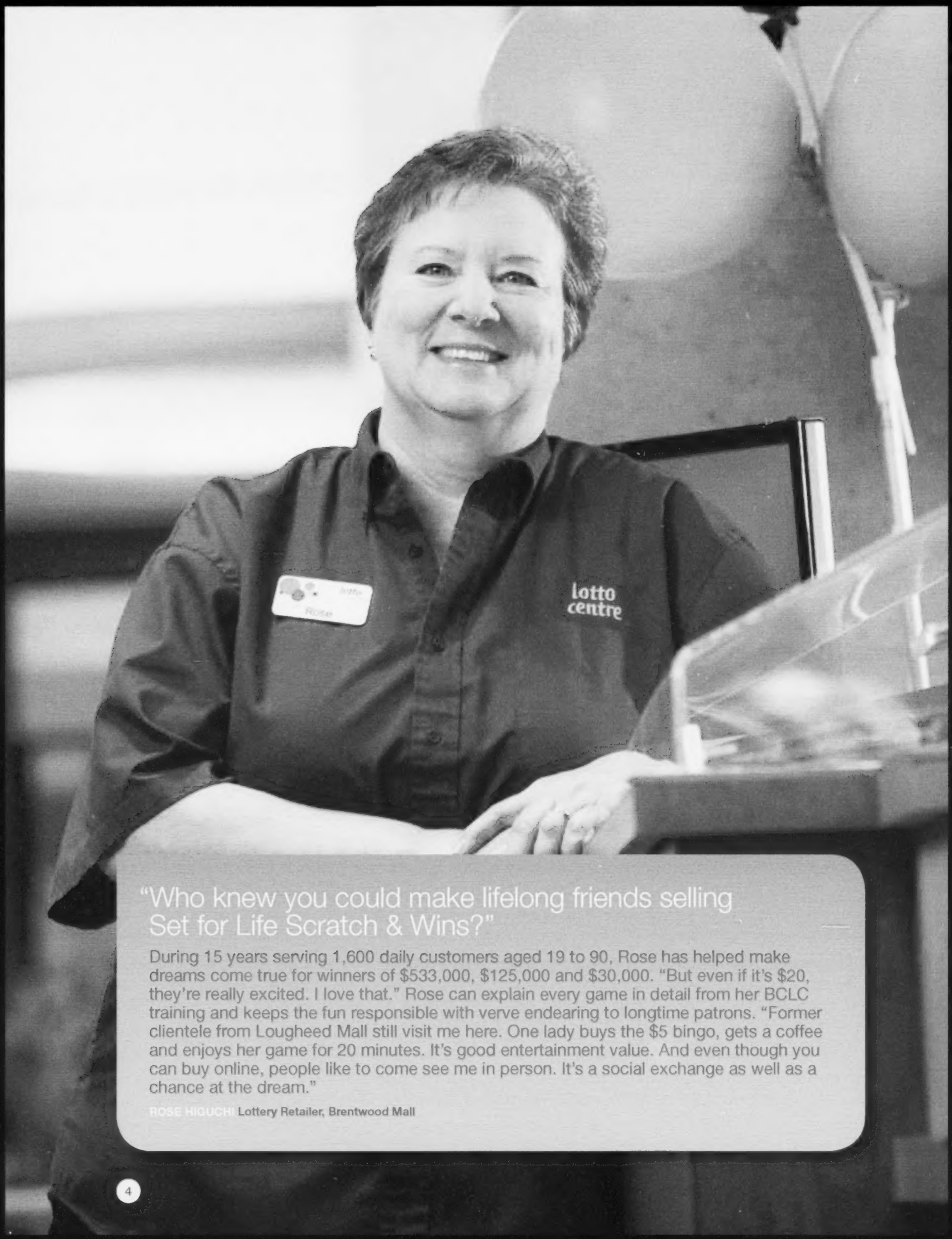
As part of our continuous improvement approach to security and compliance, we further strengthened the safeguards to protect against money laundering. An independent review of our anti-money laundering practices found we have a robust system in place, and we are making good progress to implement the report's recommendations. This includes introducing new options for customers to reduce the reliance on cash in casinos. We also enhanced our measures to detect minors through increased ID checks, age verification training for staff, and the use of scanners to authenticate ID.

These initiatives are examples of our firm commitment to social responsibility and to building public understanding and trust.

We're very encouraged by the successes of the past year and once again it is a credit to the people who make up BCLC. Our story includes thousands of people who make BCLC part of their lives each day—our dedicated staff, our retailers, our casino and community gaming centre service providers and their staff and players. Each one of these people makes us who we are, and together we contribute to B.C.'s economy, communities and everyday quality of life.

JOHN MCLERNON
Chair, Board of Directors

MICHAEL GRAYDON
President & CEO



"Who knew you could make lifelong friends selling Set for Life Scratch & Wins?"

During 15 years serving 1,600 daily customers aged 19 to 90, Rose has helped make dreams come true for winners of $533,000, $125,000 and $30,000. "But even if it's $20, they're really excited. I love that." Rose can explain every game in detail from her BCLC training and keeps the fun responsible with verve endearing to longtime patrons. "Former clientele from Lougheed Mall still visit me here. One lady buys the $5 bingo, gets a coffee and enjoys her game for 20 minutes. It's good entertainment value. And even though you can buy online, people like to come see me in person. It's a social exchange as well as a chance at the dream."

ROSE HIGUCHI Lottery Retailer, Brentwood Mall

who we are

our purpose

We are a Crown corporation governed by B.C.'s *Gaming Control Act*. Our mission is to conduct and manage gambling in a socially responsible way for the benefit of British Columbians through:

- National and provincial lotteries
- Casino gambling
- Commercial bingo
- Online gambling

our promise

INTEGRITY—The games we offer and the ways we conduct business are fair, honest and trustworthy

SOCIAL RESPONSIBILITY—Everything we do is done with consideration of the impact on and for the people and communities of British Columbia

RESPECT—We value and respect our players, service providers and each other

regulated and regional

Currently, the Minister of Energy and Mines is the Minister responsible for BCLC and the Gaming Policy and Enforcement Branch (GPEB). GPEB is responsible for the overall integrity of gaming and horse racing. GPEB also certifies gambling service providers, suppliers of equipment, and conducts audits and compliance checks.

BCLC headquarters in Kamloops oversee finance, administration and information technology. Our Vancouver office manages sales, marketing and distribution, while field staff across the province support operations.

rewarding jobs

Most BCLC products are sold by private-sector service contractors through more than 4,000 lottery outlets, 17 casinos, 17 community gaming centres and 10 bingo centres. Secure, regulated online gambling is offered on PlayNow.com. We employ about 850 corporate staff with more than 37,000 direct and indirect workers employed in B.C. in gambling operations, government agencies, charities and support services.*

real benefits

BCLC works for citizens and communities every day. After paying operating costs, prizes and partner commissions, we remit a portion of net income to the Government of Canada and the remainder to the Government of B.C. for health care, education, charitable and municipal programs. More than 5,000 community and charitable organizations receive annual community gaming grants awarded by the Province for arts and culture, sport, public safety, environment and human and social services.

See www.pssg.gov.bc.ca/gaming/grants/community-gaming

reaching out

We've built a solid social media following around B.C. with a range of interactive community pages on Facebook, LinkedIn, Twitter, YouTube and Flickr. Our responsible gambling blog at blogs.bclc.com is also a popular forum for conversations, information and resources.

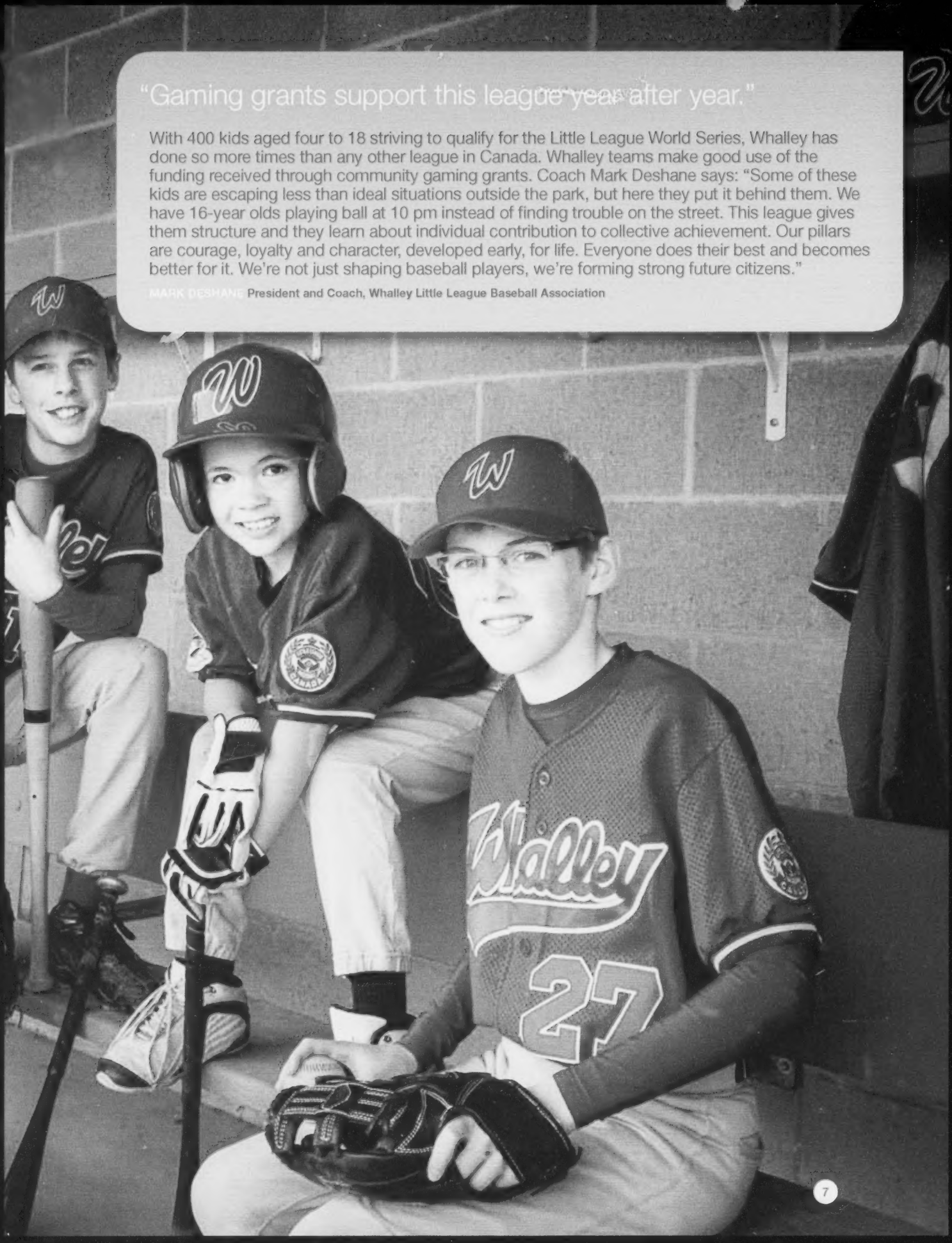
* 2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report – HLT Advisory Inc. (October 2011).

all-around impact

Over 27 years, BCLC has generated more than $14.6 billion in net income to fund provincial, municipal and charitable programs in B.C.

BCLC generated net income of **$1,107.4 million** in fiscal 2011/12, which was distributed by the Province as follows:

- **$5.6 million** bolstered B.C.'s responsible gambling initiatives, research, prevention and Gaming Policy and Enforcement Branch's (GPEB) Problem Gambling Program
- **$6.1 million** was divided among standard and thoroughbred sectors of the horse racing industry
- The Government of Canada was allocated **$9.2 million** through a long standing agreement between the provinces and the federal government
- New Westminster, Penticton and Cranbrook received local economic funding through Development Assistance Compensation of **$11.6 million** to encourage economic development within those communities
- GPEB received **$13.2 million** for regulatory oversight of BCLC, gaming service providers, related workers, B.C.'s horse racing industry, lottery retailers and licensed, charitable gaming events
- **$83.1 million** was shared among 30 Host Local Governments, which receive a portion of net income from their community gaming centre or casino to fund local programs
- GPEB distributed **$135.0 million** in gaming grants to more than 5,000 charitable and community organizations
- **$147.3 million** benefited the Province's Health Special Account to administer medical care, research, education and health promotions
- The Province of British Columbia allotted the largest portion—**$696.3 million**—to consolidated revenue.



"Gaming grants support this league year after year."

With 400 kids aged four to 18 striving to qualify for the Little League World Series, Whalley has done so more times than any other league in Canada. Whalley teams make good use of the funding received through community gaming grants. Coach Mark Deshane says: "Some of these kids are escaping less than ideal situations outside the park, but here they put it behind them. We have 16-year olds playing ball at 10 pm instead of finding trouble on the street. This league gives them structure and they learn about individual contribution to collective achievement. Our pillars are courage, loyalty and character, developed early, for life. Everyone does their best and becomes better for it. We're not just shaping baseball players, we're forming strong future citizens."

MARK DESHANE President and Coach, Whalley Little League Baseball Association

"We're not a conventional supplier. We're a true partner that brings unique expertise to help maximize the benefits."

Manitoba Lotteries is launching online gambling and selected BCLC as its partner of choice based on operational expertise, the success of BCLC's model, and vendor relationships. Cameron says, "The alliance creates new revenue streams for both organizations, with BCLC offering business-to-business services, web portal management and site development, while Manitoba directs daily operations, taps new player bases and maintains oversight. We have the technical architecture, products and vendors in place for a turnkey approach that will help them smooth the transition, optimize efficiencies and speed up time to market. Together we can leverage economies of scale and provide all players with a larger community of fun, such as the Canadian Poker Network we operate in conjunction with Loto-Québec. This initiative will also strengthen and secure regulated online gambling across our country and help Manitobans keep proceeds at home."

CAMERON ADAMS, **BCLC Director of Business Development**

sphere of influence

More fun, more industry firsts and a big story: BCLC worked the past 12 months to broaden business channels and become a leading supplier of eGaming expertise.

financial

- BCLC achieved $1,107.4 million in net income, surpassing our record performance of last year
- PlayNow.com generated $66 million in revenue and posted 53 per cent growth driven by eCasino and eLottery

firsts

- We entered into a partnership with Manitoba Lotteries to supply regulated, eGaming infrastructure, products and services—embarking on unprecedented revenue opportunities
- Responsible Gambling Awareness Week piloted in January in Vernon as a pioneering collaboration between BCLC and a host community to inform and engage the public through expert forums, myth busting and interactive fun
- BCLC released two independent reviews of the Voluntary Self-Exclusion (VSE) program, including Canada's first assessment of its effectiveness—participants highly rated our VSE program as a key problem gambling resource
- We received Board approval to replace the legacy casino gaming management system that supports more than 12,000 slot machines and $1.1 billion in net income

fun

- Adults now rank casinos as the fifth most popular entertainment option (restaurants #1, movies #2, bars #3 and live theatre #4) and more than 80 per cent play BCLC games at least once a year
- Vancouver Canucks goaltender and avid poker player Roberto Luongo became our ePoker spokesperson and tournament VIP, giving customers chances to win a seat at his table and tickets to hockey games
- Upgrades to River Rock Casino Resort made it a top revenue generator—net win from slots and tables is up 19 per cent
- The introduction of several national games with large prize pools contributed to significant gains in the Instant Win category
- Chances Castlegar opened July 2011 with slots, electronic blackjack and bingo, a restaurant, lounge and GameSense Information Centre
- Almost 400 new games debuted and 1,100 slot machines were replaced across the province; Fraser Downs Racetrack and Casino and Lake City Casino Kelowna opened poker rooms

responsive

- Responding to what players want, we upgraded BC Gold to BcGold Encore with exclusive membership tiers, promotions and rewards for both slot and table play. At BcGoldEncore.com, members now have instant views of account status
- BCLC launched xchange, an online community panel with surveys, discussions and feedback to infuse customer viewpoints into everything we do, from games to marketing to responsible gambling. Recruitment began last June and the panel now has more than 4,000 participants sharing input and ideas

responsible

- PlayNow.com received coveted TRUSTe certification, verifying the integrity and security of customer transactions
- We partnered with the Responsible Gambling Council (RGC) to implement the RG Check program across facilities. Nine facilities are being certified, validating the high responsible gambling practices and standards in place
- We invested $1.9 million in responsible gambling and launched GameSense for Parents, an award-winning campaign alerting the public to the occurrence and risks of underage gambling
- More in touch than ever, BCLC has created a blog on responsible gambling at blogs.bclc.com, drawing hits from public and industry audiences not reached by traditional messaging
- Social responsibility assessments conducted prior to developing new products, services or marketing have been expanded to ensure they are developed in a responsible way

bringing fun to life

Online. Self-serve. Social media. Rewards. Today customers choose how, when and what they want to play, and BCLC entertains all the options.

- Registered PlayNow.com players now number almost 200,000
- 80 per cent of our hospitality network sales are through Self-Service Terminals
- BCLC hosts 19 Facebook, Twitter, YouTube, LinkedIn and Flickr pages, and a responsible gambling blog at blogs.bclc.com
- Casinos rank as the fifth most popular entertainment option among B.C. adults and more than 80 per cent play BCLC games at least once a year*

exciting

Forty-nine million lottery prizes were won last year worth $581 million, including two $50 million LOTTO MAX jackpots plus MAXMILLION™ prizes. Several Lotto 6/49 bonus draws, Keno Doubler, Pacific Hold'Em Poker and the June launch of Poker Lotto contributed to steady growth. New national games with large prize pools contributed to significant gains in the Instant Win category.

entertaining

PlayNow.com net income rose significantly, driven by eGaming's double-digit growth. Casino products, national lotteries and Sports Action drove strong revenues. Our online base rose by 28,000 players spurred by increased focus in search engine marketing (SEM) initiatives, new media partnerships as well as a multitude of poker tournaments geared towards attracting new players. Cross promotions leveraged land and online casino channels by qualifying online players to win seats at various land-based events, including the Roberto Luongo Charity Classic Poker Tournament at River Rock Casino Resort.

refreshing

Nearly 400 new games were added and 1,100 slots replaced across B.C. Slot play is up almost 15 per cent at community gaming centres and table play increased at all facilities, fuelled by Baccarat popularity. New poker rooms debuted at Fraser Downs Racetrack and Casino and Lake City Casino Kelowna, and Chances Castlegar opened with slots, electronic blackjack and bingo, a restaurant, bar and GameSense Information Centre.

River Rock Casino Resort is a major revenue generator with modern upgrades for players and top entertainment and events like the B.C. Poker Championship. The Price Is Right Live!™ at both River Rock Casino Resort and Boulevard Casino drew large crowds to 'Come on Down,' play favourites and bid on Showcase prizes.

engaging

Our newest player feedback forum is 4,000 members strong and rising. Xchange engages customers in fresh, fun online dialogue on topics from new games to responsible gambling. Email footers and retail tearaways invited participation and soon eager panelists were infusing customer insight into our everyday business in every way. An economical alternative to ad hoc research and focus groups, xchange is shaping future BCLC products, services and delivery channels.

rewarding

Membership is up more than 12 per cent with the launch of BcGold Encore and rewards casino players want. Three member tiers feature exclusive benefits, dining and hotel discounts, promotions and points for slot and table play. At BcGoldEncore.com members can access account status anytime, anywhere, including through GameSense Information Centres.

* Marketing Insights Monitor, Research and Incite Consultants 2011/12

"I like going out with the girls. Sometimes we meet up and get ready together, do our hair and makeup and dress up for a night out."

"We get out and do adventurous things and the casino is so colourful and bright and welcoming with all the people and sounds and lights. It's exciting. Even when others win I get pumped up—I wish it was me but I'm happy for them. That type of friendly atmosphere with complete strangers you don't experience anywhere else. One night I won $1,400. The machine went crazy flashing and dinging and everyone was looking at me—it feels great to be that person!"

KAYLEIGH GRAHAM Casino Player

making fair play foremost

We enhanced responsible gambling resources and maintained the high level of integrity of our operations—ensuring carefree enjoyment for our players.

GameSense

At GameSense Information Centres (GSICs) in every BCLC gaming facility, patrons are engaged by fun challenges and enlightening videos. Such interactive information resonated with 40,000 people last year and keeps BCLC at the forefront of responsible gambling programs, nationally and globally.

$5.6 million funded responsible gambling initiatives, research and GPEB's Problem Gambling Program. BCLC initiatives included:

- GameSense for Parents, a campaign about the risks of underage gambling and a platinum winner for excellence in Corporate Social Responsibility at the 2011 MarCom Awards
- Expanded GameSense programming and promotional activities in all facilities to increase educational opportunities with players
- GameSense television, web and movie theatre advertising to educate the public about responsible play

appropriate response training

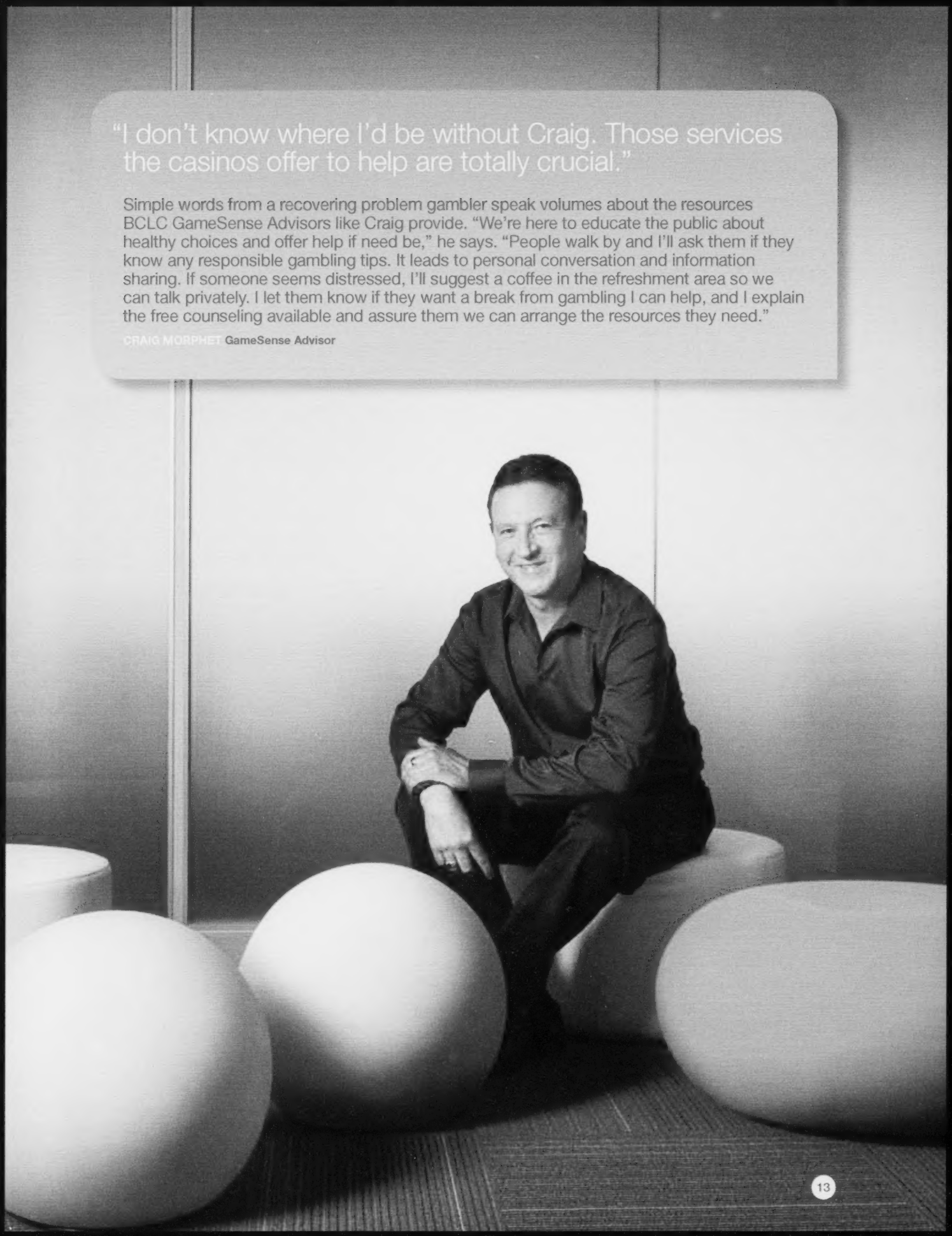
Appropriate Response Training (ART) is an educational tool that equips BCLC staff and service providers' employees to assist players and take a proactive stance on responsible gambling. ART is mandatory for new front-line workers, management and security personnel, and last year we launched refresher courses for ongoing knowledge. Currently, about 14,000 staff are ART certified.

RG Check

BCLC worked with the Responsible Gambling Council (RGC), an independent agency advancing problem gambling prevention and best practices across Canada, to introduce rigorous RG Check certification. Forty criteria, including corporate policies, venue and game features and employee training have been tested and refined. Since October 2011, nine BCLC facilities are being accredited, with plans for all within three years.

community dialogue

BCLC sponsored the province's first Responsible Gambling Awareness Week held in Vernon in January. BCLC and the Province's Gaming Policy and Enforcement Branch helped train volunteer groups from North Okanagan and Vernon, who organized interactive events, speaker panels, myth-busting challenges and more. The event is slated again next year and serves as a model for other communities to partner with BCLC and create a public dialogue on what it means to gamble responsibly.



"I don't know where I'd be without Craig. Those services the casinos offer to help are totally crucial."

Simple words from a recovering problem gambler speak volumes about the resources BCLC GameSense Advisors like Craig provide. "We're here to educate the public about healthy choices and offer help if need be," he says. "People walk by and I'll ask them if they know any responsible gambling tips. It leads to personal conversation and information sharing. If someone seems distressed, I'll suggest a coffee in the refreshment area so we can talk privately. I let them know if they want a break from gambling I can help, and I explain the free counseling available and assure them we can arrange the resources they need."

CRAIG MORPHET GameSense Advisor

checks and balances

anti-money laundering program

With stringent anti-money laundering practices, BCLC reports to the Financial Transactions Reports and Analysis Centre of Canada (FINTRAC) as legislated, as well as to law enforcement. More than 63,000 large cash transactions were reported last year. Following an independent review to improve our processes, we added steps to reduce cash reliance in casinos including:

- Player accounts
- Stronger cash-in/cash-out policies
- Refreshed anti-money laundering training for all frontline gambling staff
- No exchanging small denomination bills for larger ones
- Chip redemption policy
- Cheques issuance policy and monthly audits of cheques issuance process
- A cheque hold deposit program
- Thorough risk assessments supported by appropriate tracking

minors

Entry into BCLC facilities is restricted to 19 years and up. Last year, minors or patrons without valid ID were turned away from gambling facilities 19,816 times. Underage detection has been further bolstered through:

- Special age-verification training for staff
- Increased staffing at peak periods
- Use of handheld scanners to authenticate ID
- Random ID checks on casino floors
- Carding of anyone who appears under 25

voluntary self-exclusion

Voluntary Self-Exclusion (VSE) is a highly-rated option for ceasing gambling in B.C. facilities and on PlayNow.com for a self-set period of time. Participants are referred to free problem gambling counseling and resources funded by the Province. Breaches are detected through BCLC on-site security measures including licence plate recognition technology (LPR).

Results of recent studies* prove VSE both helpful and effective:

- Participants cite VSE as an important resource for problem gambling
- More than 80 per cent said they were satisfied with the program
- 77 per cent reported the VSE program played an important role in their decision to stop gambling
- 90 per cent said they would recommend the program to others

To enhance success, BCLC has in place more GameSense Advisors, VSE training for security staff, jackpot ineligibility for enrollees, expanded LPR, facial recognition trials and simplified enrolment and re-enrolment. Last year, self-excluded individuals were turned away 7,641 times. As of March 2012, VSE enrollees numbered 7,966.

* Details at: www.bclc.com/app/AboutBCLC/newsReleases.asp

"We're not just here to protect your possessions, but also your overall well being so you can focus on having fun."

It takes skill to tend a casino full of activity and people from all walks of life. It also requires rigorous training through BCLC, FINTRAC and the Justice Institute's Gaming Security Officer program. "Our job is to ensure everyone has a good time in a safe environment," says Bill. "We're at the entrance, meeting, greeting and checking that people are over 19 and in a sound state. We watch parking lots and licence plates for self-excluded individuals. We provision chips to tables, monitor cash cage transactions and escort winners to their cars. Our team also responds to first aid calls and assists police, fire, paramedics and BCLC investigators. From saving lives to getting you safely to your car, we're here to help."

BILL DHANDWAR Security Supervisor, Boulevard Casino

"Privacy is everyone's job. It's in the DNA of our organization and at the forefront of our mindset."

Far beyond simply legal compliance, BCLC's Privacy Charter is built on the best interests of customers. "This is not just ticking off check boxes," says David. "Ours is an ongoing process, the responsibility of everyone to learn the continuum of protecting private information across all business channels, from project start to finish. We're breaking ground here. We were the first B.C. member of the International Association of Privacy Professionals. At last summer's Canadian Privacy Summit, organizations requested our employee privacy training program to adapt for their staff. The Office of the Information and Privacy Commissioner in Victoria has asked us to consult with them as they go about establishing provincial guidelines for privacy impact assessments. BCLC is not only leading the gambling industry, we're setting privacy standards for all companies."

DAVID HUGHES, **BCLC Director of Privacy & Senior Legal Counsel**

protecting players and the planet

online gambling

For a safe, fun online experience, BCLC continues to embed advanced privacy, security and responsible gambling controls. This year, we achieved TRUSTe certification, verifying our integrity and security for customer transactions. We also bolstered our GameSense presence across the site and improved tools to ensure players know how to keep it fun.

privacy impact assessments

Privacy impact assessments (PIAs) underpin our Privacy Charter and policies. Each employee is trained to protect private information and conduct reviews throughout projects to ensure security and accountability at every step. PIAs are performed across business lines, with built-in catch points from procurement to management to IT for internal and external due diligence.

greening

BCLC continues to reduce our operational impact on the planet.

- In addition to measuring greenhouse gases, use of natural gas, petroleum, water, paper and waste, we're comparing our performance against ISO 26000 requirements
- Energy-efficient upgrades at our Kamloops data centre won a Project Excellence award from the B.C. Electrical Association
- Video-conferencing between Kamloops and Vancouver reduced travel and averted about 150 tonnes of greenhouse gas emissions
- We cut vehicle fuel consumption by 35,000 litres last year and continue to replace end-of-lease fleets with hybrids
- We have long focused on recycling and disposing of products and equipment responsibly; now, to align with new provincial regulations, a formal Product Stewardship plan is in the works
- BCLC is also developing a Sustainable Procurement Policy that will factor in supplier social responsibility principles as well as pricing and other criteria
- During our annual Bike to Work Week, staff collectively cycled the equivalent of five legs of the Tour de France. In a second challenge, employees biked the equivalent distance from Vancouver to Truro, Nova Scotia

bringing benefits to B.C.

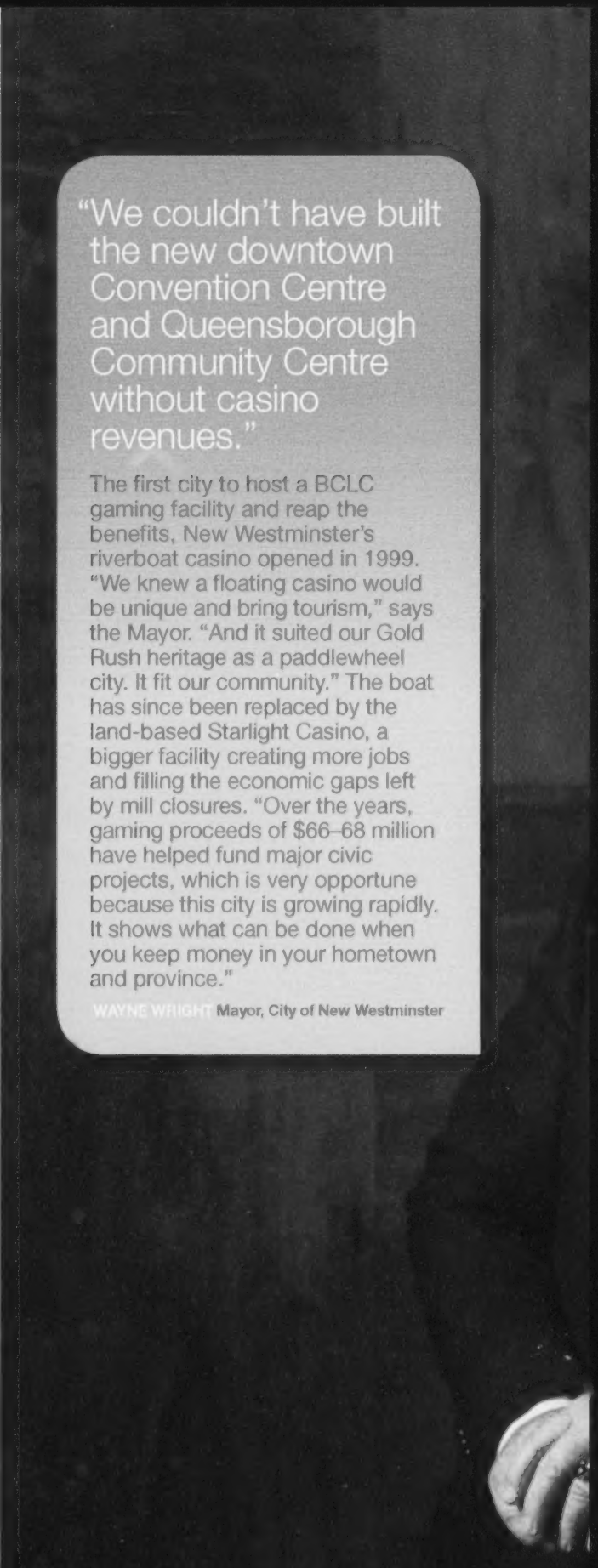
BCLC is proud to be a part of almost every community in B.C., whether it's through a lottery outlet at the local corner store or as a partner with one of the 30 communities across B.C. that host our casinos and community gaming centres. Gambling provides fun and entertainment for residents and visitors alike and reliable and exciting work experiences for staff. Communities directly benefit each year by receiving a portion of the revenue these facilities generate, which is used by local governments to help fund programs and initiatives at their discretion.

In 2011/12, BCLC provided $83.1 million to communities that host gambling facilities.

BCLC also supported a number of community organizations and initiatives, including:

- 2011 Western Canada Summer Games
- 2011 Grey Cup Festival
- Special Olympics B.C.
- City of Kamloops' Music in the Park
- Western Canada Theatre
- Kamloops Symphony.

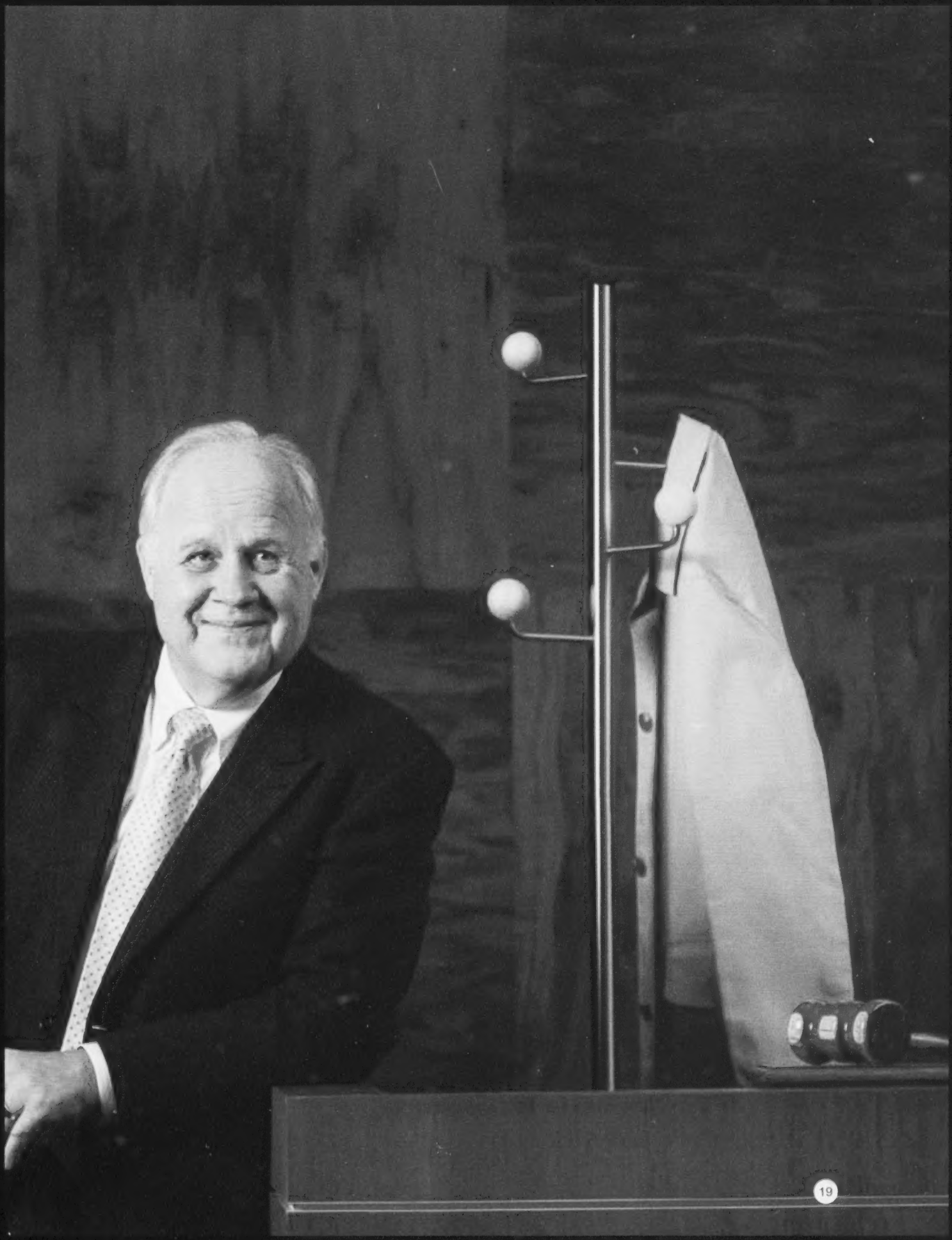
In addition, all British Columbians benefit from the provincial and community services funded across the province by the $1.1 billion in net income BCLC generates.



"We couldn't have built the new downtown Convention Centre and Queensborough Community Centre without casino revenues."

The first city to host a BCLC gaming facility and reap the benefits, New Westminster's riverboat casino opened in 1999. "We knew a floating casino would be unique and bring tourism," says the Mayor. "And it suited our Gold Rush heritage as a paddlewheel city. It fit our community." The boat has since been replaced by the land-based Starlight Casino, a bigger facility creating more jobs and filling the economic gaps left by mill closures. "Over the years, gaming proceeds of $66–68 million have helped fund major civic projects, which is very opportune because this city is growing rapidly. It shows what can be done when you keep money in your hometown and province."

WAYNE WRIGHT **Mayor, City of New Westminster**



Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The host local government share charts show provincial payments made to host local governments in 2011/12 as compared to 2010/11.

host local government share of casino revenue

Local Government	Casino	Total 2011/12	Total 2010/11
(in thousands of dollars)			
Burnaby	Grand Villa Casino	$ 9,366	$ 9,932
Coquitlam	Boulevard Casino	7,502	8,060
Langley	Cascades Casino	5,875	6,252
Kamloops	Lake City Casino	1,922	1,923
Kelowna	Lake City Casino	2,036	2,216
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,365	1,391
Nanaimo	Casino Nanaimo	2,350	2,570
New Westminster	Starlight Casino	5,780	6,237
Penticton	Lake City Casino	1,683	1,712
Prince George	Treasure Cove Casino	2,627	2,556
Quesnel	Billy Barker Casino	520	553
Richmond	River Rock Casino Resort	14,804	13,004
Surrey	Fraser Downs Racetrack and Casino	2,878	2,874
Vancouver	Edgewater Casino	5,822	5,881
	Hastings Racecourse Casino	1,270	1,289
Vancouver Total		7,092	7,170
Vernon	Lake City Casino	1,948	2,087
View Royal	Great Canadian Casino View Royal	4,197	4,447
Total		$ 71,945	$ 72,984

host local government share of community gaming centre revenue

Local Government	Community Gaming Centre	Total 2011/12	Total 2010/11
(in thousands of dollars)			
Abbotsford	Chances Abbotsford	$ 905	$ 807
Campbell River	Chances Campbell River	687	642
Castlegar[1]	Chances Castlegar	283	–
Courtenay	Chances Courtenay	802	676
Cowichan Indian Band	Chances Cowichan	784	764
Dawson Creek	Chances Dawson Creek	840	720
Fort St. John	Chances Fort St. John	969	787
Kamloops	Chances Kamloops	542	441
Kelowna	Chances Kelowna	1,585	1,469
Langley	Playtime Gaming Langley	132	130
Maple Ridge[2]	Chances Maple Ridge	787	319
Mission	Chances Mission	646	562
Port Alberni	Chances RimRock	450	425
Prince Rupert	Chances Prince Rupert	404	362
Squamish Nation	Chances Squamish	231	241
Terrace	Chances Terrace	561	457
Williams Lake	Chances Signal Point	580	534
Total		$ 11,188	$ 9,336

1 Chances Castlegar opened July 26, 2011.

2 Chances Maple Ridge opened October 15, 2010.

BCLC casino and community gaming revenue charts show all revenue generated by B.C. gambling facilities on behalf of BCLC for 2011/12 as compared to 2010/11. Slot machine and table game revenue is recorded as "net win", which is revenue after prizes are paid. Bingo revenue is recorded as "sales", which is revenue before prizes are paid.

BCLC casino revenue

Casino	Service Provider	No. of Slot Machines	Slot Machine Revenue 2011/12	No. of Tables	Table Game Revenue 2011/12	Total Casino Revenue 2011/12	Total Casino Revenue 2010/11
(in thousands of dollars)							
Billy Barker Casino, Quesnel[1]	585 Holdings Ltd.	138*	$ 8,669	3	$ 40	$ 8,709	$ 9,247
Boulevard Casino, Coquitlam	Great Canadian Casinos Inc.	1,001*	104,603	64	39,461	144,064	152,026
Cascades Casino, Langley	Gateway Casinos and Entertainment Limited	815	90,174	27	18,465	108,639	113,028
Casino Nanaimo	Great Canadian Casinos Inc.	407*	40,318	6	2,717	43,035	43,845
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	228*	13,686	11	867	14,553	14,697
Edgewater Casino, Vancouver	Edgewater Casino ULC	550*	59,943	57	53,629	113,572	111,955
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	469	46,110	22	5,719	51,829	50,782
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Limited	1,001*	118,101	48	59,239	177,340	183,241
Great Canadian Casino View Royal	Great Canadian Casinos Inc.	602*	67,606	13	7,670	75,276	78,506
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	21,987	–	–	21,987	21,966
Lake City Casino Kamloops	Gateway Casinos and Entertainment Limited	301*	30,855	6	2,208	33,063	32,747
Lake City Casino Kelowna	Gateway Casinos and Entertainment Limited	518*	33,257	15	3,979	37,236	38,208
Lake City Casino Penticton	Gateway Casinos and Entertainment Limited	293*	27,579	9	1,676	29,255	29,546
Lake City Casino Vernon	Gateway Casinos and Entertainment Limited	405*	34,187	–	–	34,187	36,443
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	1,006	130,968	112	170,050	301,018	259,639
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Limited	857*	75,230	57	35,427	110,657	118,655
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	540*	44,414	9	1,915	46,329	44,741
Total		9,727	$947,687	459	$403,062	$1,350,749	$1,339,272

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Table games (excluding poker) were removed at Billy Barker Casino on May 23, 2011.

BCLC community gaming revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines	Slot Machine Revenue 2011/12	No. of Bingo Seats	Bingo Revenue 2011/12	Total Community Gaming Revenue 2011/12	Total Community Gaming Revenue 2010/11
(in thousands of dollars)							
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	–	$ –	189	$ 4,034	$ 4,034	$ 4,581
Boardwalk Gaming Centre, Burnaby[1]	427967 BC Ltd. (DBA Bingo Country)	–	–	–	–	–	4,795
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	125*	15,417	258	839	16,256	15,129
Chances Campbell River	Playtime Community Gaming Centres Inc.	125*	11,985	232	1,458	13,443	13,181
Chances Castlegar[2]	Terrim Properties Ltd.	100*	4,825	175	59	4,884	–
Chances Courtenay	Playtime Community Gaming Centres Inc.	150*	13,939	62	1,215	15,154	14,352
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	150*	13,485	356	2,140	15,625	15,913
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	150*	14,593	222	515	15,108	13,812
Chances Fort St. John	243045 Alberta Ltd.	178*	16,829	180	585	17,414	15,111
Chances Kamloops	Enterprise Entertainment Ltd.	125	9,301	445	4,289	13,590	12,073
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	250	27,323	494	7,573	34,896	33,770
Chances Maple Ridge[3]	Great Canadian Entertainment Centres Ltd.	100	13,462	450	3,696	17,158	11,191
Chances Mission	Gateway Casinos and Entertainment Limited	125*	11,010	115	1,227	12,237	11,125
Chances Prince Rupert	0733244 BC Ltd.	100*	7,097	136	1,271	8,368	8,362
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	100*	7,670	99	1,212	8,882	9,159
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	100*	9,882	320	2,220	12,102	12,131
Chances Squamish	Gateway Casinos and Entertainment Limited	100*	4,239	168	365	4,604	4,768
Chances Surrey[4]	Gateway Casinos and Entertainment Limited	–	–	624	8,940	8,940	8,966
Chances Terrace	Lucky Dollar Bingo Management Ltd.	75*	9,621	144	1,279	10,900	9,937
Chilliwack Bingo	Chilliwack Gaming Ltd.	–	–	384	11,325	11,325	12,204
Fairweather Bingo Hall, Vernon	Terrim Properties Ltd.	–	–	350	3,599	3,599	4,080
Harbour City Bingo Hall, Nanaimo	Harbour City Bingo Society	–	–	420	4,480	4,480	4,995
Planet Bingo, Vancouver	Community Gaming Management Association	–	–	426	9,960	9,960	9,592
Playtime Gaming Langley	Playtime Community Gaming Centres Inc.	50	2,339	312	5,141	7,480	7,727
Playtime Gaming Nanaimo	Playtime Community Gaming Centres Inc.	–	–	464	2,420	2,420	2,895
Playtime Gaming Penticton	Playtime Community Gaming Centres Inc.	–	–	338	2,421	2,421	2,553
Playtime Gaming Victoria	Playtime Community Gaming Centres Inc.	–	–	485	3,752	3,752	3,560
Rocky Mountain Bingo, Cranbrook[5]	Terrim Properties Ltd.	–	–	–	518	518	1,610
Treasure Cove Casino, Prince George[6]	Treasure Cove Casino Inc.	–	–	633	9,382	9,382	8,935
Total Community Gaming Centres & Commercial Bingo Halls		2,103	$193,017	8,481	$ 95,915	$ 288,932	$ 276,507
Independent Bingo Hall Ka-Chingo Sales[7]						142	313
Paper Bingo Distribution Revenue						212	216
Total						$ 289,286	$ 277,036

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Boardwalk Gaming Centre, Burnaby closed March 20, 2011.

2 Chances Castlegar opened July 26, 2011.

3 Chances Maple Ridge opened October 15, 2010 and operated as Haney Bingo Plex to October 14, 2010.

4 Newton Bingo Country name changed to Chances Surrey.

5 Rocky Mountain Bingo, Cranbrook closed July 23, 2011.

6 Treasure Cove Casino slot machine revenue is reported on the BCLC Casino Revenue chart.

7 Ka-chingo product decommissioned September 5, 2011

insight and oversight

governance framework

As a Crown agent, BCLC complies with Government disclosure requirements for public accountability and transparency detailed in Best Practices Guidelines—*BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations* and the Board Resourcing and Development Office's Section 3. More at www.bclc.com/cm/aboutbclc/corporategovernance.htm

The scope of our formal governance framework includes our:

- Corporate mandate, vision and mission
- Principles and guidelines for our Board of Directors, Chairman, Standing Committees, President and Chief Executive Officer
- Processes for strategic and succession planning
- Procedures for Board performance evaluations
- Government's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

board of directors

Per the *Gaming Control Act* and appointed by the Lieutenant-Governor in Council, the BCLC Board comprises nine non-management members selected for expertise. While BCLC's senior management attend all Board meetings, autonomy is maintained by in-camera sessions at the end of meetings.

The Board provides stewardship and ethical leadership for long-term success for the shareholder—the Government of B.C.—and ensures our governance framework aligns BCLC business practices with Crown principles.

Overall Board duties are:

- Oversight of BCLC management responsible for day-to-day operations
- Assisting management with business and service plans, priorities and capital and operational budgets
- Policy guidance for human resources, compensation, stakeholder communications and risk management
- Risk resolution strategies
- Evaluating annual financial results and performance versus objectives

board members

Chairman: John McLernon, Vancouver

Presiding Director of leadership and performance, and liaison between the Board and the Minister responsible for BCLC.

Vice Chair: Arthur Willms, Vancouver

DIRECTORS:

Trudi Brown, Victoria

David W. Gillespie, Kamloops

Cindy Grauer, Vancouver

Walter Gray, Kelowna*

Moray Keith, Delta

D. Neil McDonnell, North Vancouver

Michael Riley, Surrey

Per the Code of Conduct and Conflict of Interest Guidelines, Directors act with prudent skill and diligence in the best interests of BCLC.

* Walter Gray resigned from the Board November 19, 2011

board committees

The Board assigns specific committees to fulfil responsibilities and Committee Chairs report performance and recommendations to the Board. The Chairman of the Board and BCLC's President & CEO are ex-officio members of all committees.

AUDIT COMMITTEE	Liaises with auditors of BCLC financial operations; presents approved financial statements and quarterly reports to the Board; reviews financial information submitted to Government and the public; and oversees information systems, risk management and internal controls. **CHAIR:** Michael Riley **MEMBERS:** David W. Gillespie; Moray Keith; D. Neil McDonnell; Arthur Willms;
GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	Aligns governance focus to optimize overall performance; advances scope of corporate social responsibility; evaluates Board effectiveness; and plans succession for future Board composition. **CHAIR:** David W. Gillespie **MEMBERS:** Trudi Brown; Walter Gray*; Moray Keith
HUMAN RESOURCES AND COMPENSATION COMMITTEE	Aligns strategies, practices and succession with future goals; evaluates performance and compensation of the President & CEO; reviews employee compensation, benefits, resource allocation and training to drive performance **CHAIR:** D. Neil McDonnell **MEMBERS:** Cindy Grauer; John McLernon
BCLC SENIOR MANAGEMENT AND EXECUTIVES	**PRESIDENT & CEO:** Michael Graydon **VICE-PRESIDENTS:** Peter Charlton — Human Resources Rhonda Garvey — eGaming Kevin Gass — Lottery Gaming Lynette Hughes — Transformation and Technology Jim Lightbody — Casino and Community Gaming Darryl Schiewe — Casino System Implementation Terry Towns — Corporate Security and Compliance Marsha Walden — Customer Strategy and Corporate Relations Tom Williamson — Finance and Corporate Services
B.C. LOTTOTECH INTERNATIONAL INC. (LOTTOTECH)	This wholly owned subsidiary leases BCLC capital assets which are budgeted and approved by our Board of Directors and included in our financial statements. Lottotech Officers are BCLC's President & CEO and Vice-Presidents.

making good on commitments

BCLC optimizes our financial performance within the gaming and social policy framework established by the Province, providing our games and services in a socially responsible manner consistent with our commitments reflected in British Columbia's Responsible Gambling Strategy. A key component of our governance framework is "Government's Letter of Expectations," an agreement which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of British Columbians.

This letter is intended to establish the basis for a positive and collaborative working relationship through the clear articulation of the responsibilities and expectations of both parties. Government directs BCLC to take specific actions. Our actions and the status of our activities to implement them are shown in the following chart.

GOVERNMENT DIRECTION	BCLC ACTIONS
To optimize the Corporation's financial performance, within the gambling and social policy framework established by Government and in response to customer and marketplace demand for products and services, propose new revenue opportunities as they arise;	Within the gambling and social policy framework established by the Province of British Columbia, in 2011/12 BCLC achieved a record $1.107 billion in net income, $2.4 million over budget. BCLC was able to increase its net income over both budget and last year by focusing on games and services that increase the entertainment value to players, coupled with diligently managing the costs of operating our business. BCLC is continuing our focus on the player and is forecasting net income growth through innovative new games in facilities and through the Internet, developing new product delivery options, and continued improvements in casino and community gaming facilities.
To optimize the performance, security, integrity and efficiency of the Corporation and its products and services through the replacement and modernization of infrastructure, processes and technology over the next five year period;	Processes and technology to support the performance, integrity and efficiency of the business to sustain the current business and provide future growth potential continued to be a key focus. A primary area of focus was the initial stages of replacing the gaming management system that supports more than $1.5 billion in net win. This is a multi-year project spanning to the 2014/15 year and is the largest project BCLC has ever undertaken with a capital cost of more than $100 million.
To optimize the Corporation's social responsibility objectives, building public trust and support in a manner consistent with the Province's Responsible Gambling Strategy and with BCLC's Social Responsibility Charter;	BCLC delivers gaming in a manner that encourages responsible gambling and healthy choices. Our efforts continue to be focused on enhancing responsible gambling programs for our players and communication about the availability and access to programs, including Voluntary Self-Exclusion. GameSense is a program designed to offer approachable and accessible materials to help players make informed decisions about our gambling products. BCLC has GameSense Information Centres in all casino and community gaming locations and is also available online at GameSense.ca, bclc.com and PlayNow.com. We support the Province in its efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible gambling and problem gambling. BCLC also actively participates with other Canadian jurisdictions to strengthen the industry commitment to share responsible gambling best practices.
To operate within the Province's legislative framework and regulations, including the *Gaming Control Act*, and comply with policies, directives, and standards that may be issued from time to time by the Minister responsible for BCLC or the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB).	BCLC operates our business within the legislative, regulatory, and policy framework established by the Province of British Columbia. BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPEB. BCLC and GPEB meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPEB's independent role as regulator.

solid results

BCLC's Board and Senior Executive conduct an annual review of our mission, values, goals, strategies, performance measures and associated targets. We also gather results from other gambling jurisdictions with similar operations to assess our performance relative to comparable businesses.

how we measure our performance

Our performance targets are set based on trends in current performance and the expected impact of our programs to maintain or improve performance.

For non-financial measures, we contract with independent third-party professionals to conduct surveys and use these results to measure our performance against targets. On a quarterly basis, we assess our results and use the data collected in these surveys to modify and improve business performance.

Public support for gambling, player awareness of responsible gambling initiatives, player participation and satisfaction are measured by Research and Incite Consultants, a third-party research supplier that uses a random sampling of the B.C. adult population throughout the year. Samples are verified to ensure they are representative of B.C.'s regional population, age and gender balance. In 2010/11 we transitioned from collecting data via telephone surveys to online surveys.

Financial information is obtained from BCLC's audited financial statements and other internal reporting.

Population figures from BC Stats are used to calculate some performance measures. Employee engagement is measured on our behalf by Ipsos Reid, a third-party research supplier that conducts an annual survey of BCLC employees.

Our financial performance benchmarks are obtained from the audited financial results published by the comparator benchmark organizations, Lafleurs World Lottery Almanac and the Canadian Gambling Digest.

We benchmark to the Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ), the Swedish lottery Svenska Spel and the total Canadian gambling average. These benchmarks provide insight into BCLC's performance against national averages and comparable gambling jurisdictions. Svenska Spel has been selected because it is widely regarded as one of the most innovative regulated international lottery and Internet gambling jurisdictions. We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

our performance management framework

PERSPECTIVE	GOALS	→	STRATEGIES	→	PERFORMANCE MEASURES
PUBLIC/PLANET	1. Build public trust and support for BCLC gambling		1. Demonstrate a high level of corporate citizenship and social, economic and environmental responsibility.		• Public support for gambling (%) • Player awareness of responsible gambling activities (%) • Level of greenhouse gas (GHG) emissions (CO_2e)
PLAYER	2. Create a player-centric company		2. Improve the organizational capacity to hear, anticipate and act upon customer expectations and desires. 3. Offer exceptional entertainment through innovative and engaging channels and products.		• Player satisfaction (%) • Player participation (%) • Net win per capita ($)
FINANCIAL/ OPERATIONS	3. Invest in infrastructure and technology to drive innovation that enables our growth		4. Design processes and implement technology that improves operational effectiveness and prepares for the future. 5. Enable an integrated multi-channel community.		• Net income ($ millions) • Operating cost ratio (% net win) • Electronic gaming devices per capita
PEOPLE	4. Have a workforce passionately driving the success of our business		6. Make BCLC a great place to work.		• Employee engagement (%) • Employee vacancy rate (%)

Our goals have not changed between the 2011/12 and 2012/13 Service Plans. Our strategies to create a player-centric company have been refined to better align with the overall objective of this goal.

Our performance against targets is outlined in the following pages. A more detailed explanation of the methodology used for each measure and our benchmarking is contained in Appendix 1.

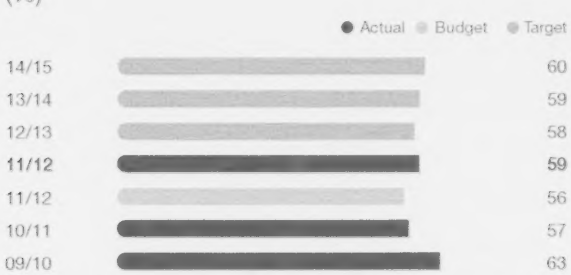
Goal 01: build public trust and support for BCLC gambling

public support for gambling (%)

We measure public support for legalized gambling in British Columbia to ensure our products and facilities are accepted by the public.

description of performance measure
Public Support for Gambling is a measure of the percentage of adult British Columbians who support legalized gambling. If we demonstrate and communicate how we meet our social responsibility mandate successfully, we should expect to see our results increase. It is measured by a third-party consultant throughout the year using an online survey. We do not benchmark this measure, due to a lack of comparable data from other gambling jurisdictions.

(%)



Our target is to achieve improvements in this measure, following the decline in public support recorded in the past two years.

We had expected this decline to bottom-out in 2011/12 as our public information programs began to take effect. BCLC's public campaign about how the proceeds from gambling benefit British Columbians and Government's gaming grant announcement to reinstate eligibility to more charities contributed to improved performance.

player awareness of responsible gambling activities (%)

We measure player awareness of our responsible gambling activities to determine whether our responsible gambling programs are effective at reaching players.

description of performance measure
Player Awareness of Responsible Gambling Activity is a measure of the percentage of our players who are aware of one or more of our responsible gambling initiatives. We use it as a measure of our success in promoting awareness of our responsible gambling initiatives. It is measured by a third-party consultant throughout the year using an online survey. We do not benchmark this measure, due to the lack of comparable data from other gambling jurisdictions.

(%)

In 2011/12 we changed the question mix to remove the best-known responsible gambling initiatives, the 'Know Your Limit, Play Within It' tag line and the B.C. Partnership for Responsible Gambling. This was done to focus on public awareness of lesser-known programs such as GameSense and the Province's toll-free Problem Gambling Help Line. Our targets are set based on past performance in growing awareness of our programs, adjusted to reflect the removal of best-known programs from the question mix.

Our performance was below target but within the margin of error associated with the survey methodology. We are committed to the continuous improvement of our programs which are designed to reduce the incidence and impacts of problem gambling. Our GameSense responsible gambling communication and education program has been acknowledged as among the best in the world; we will continue to invest in research for opportunities to improve problem gambling prevention and player education, and in programs to support those for whom gambling has become a problem.

level of greenhouse gas emissions (CO_2e)

We measure reportable greenhouse gas emissions (GHG) to monitor our progress towards meeting our target of reducing our (GHG) by 33 per cent by 2020, in line with Government's *Greenhouse Gas Reductions Target Act*.

description of performance measure
BCLC uses standard calculations provided by the Province to report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO_2e) for the calendar year. We obtain data from suppliers of electricity, natural gas, fleet fuel, paper and from internal financial reporting.

(CO_2e tonnes by calendar year)

Our targets are based on achieving a three per cent year-over-year reduction in reportable emissions, to achieve a 33 per cent reduction by 2020. We exceeded our reduction target for 2011, but emissions were slightly above those for 2010. This was because during the first six months of 2011 we were completing our relocation from our Richmond to our Vancouver facility and were responsible for utilities for both sites. The 2012 calendar year will be our first full year in our LEED-pending Vancouver facility, where we expect utilities-related emissions to be lower.

player participation (% at least monthly)

Player participation measures how frequently adult British Columbians play our games and gives us insight into how successful our programs and promotions are in attracting them to our games and facilities.

description of performance measure
Player participation measures the percentage of B.C. adults who play a game or visit a facility at least once every month. By measuring frequency, we have a gauge of players' behaviour and interest.

(% at least monthly)

In 2010/11 we changed from measuring recency of play (played at least once in the last month) to frequency of play (played at least once every month). Our performance in 2010/11 exceeded estimates, so we have revised our targets for future years to reflect incremental growth in player participation as our player programs start to take effect.

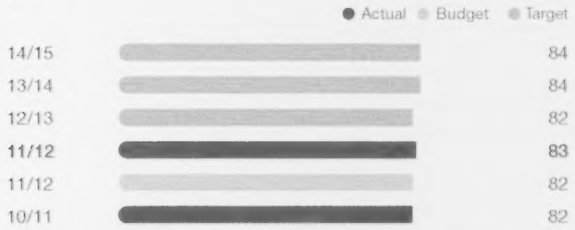
Our performance in 2011/12 was slightly above target but within the margin of error for the survey methodology.

player satisfaction (%)

Our player satisfaction measure is designed to tell us how satisfied our players are with our games and facilities. If we are successfully transforming to a player-centric organization we should expect to see satisfaction increase.

description of performance measure
Player satisfaction is a measure of satisfaction with the products, services and facilities offered in each of BCLC's gambling channels.

(%)



In 2011/12 BCLC changed the way player satisfaction is calculated to remove the weighting of each gambling channel according to its contribution to net win. This was done to remove the skew that previously occurred because of the higher net win contribution from slot play.

Our performance is consistent with previous years, allowing for the margin of error associated with the survey methodology.

net win per capita ($ per 1,000 population)

Net win per capita tells us how successful we are in growing revenue. It is indexed to total population to allow us to benchmark to other jurisdictions, as the age at which legal gambling is permitted may vary.

description of performance measure
Net win is calculated for lottery and bingo games by deducting prizes from net sales. Casino game prizes are paid during game play.

Net win per capita is widely used in the gambling industry, making consistent benchmarking possible. The net win is divided by the total population based on publicly reported population figures to obtain per capita metrics.

We benchmark our performance to Loto-Québec, Ontario Lottery and Gaming Corporation and the Canada average. Benchmarking data is presented in Appendix 1. BCLC has consistently outperformed the benchmark organizations.

($ per 1,000 population)

Our targets are reviewed annually in September and have been set based on forecast performance in 2011/12 and our predicted growth in net win, taking into account standard economic indicators used by the Province.

Although our net win per capita results were slightly behind budget, it grew over the previous year as we continued to benefit from a rebounding economy that provided consumers with additional discretionary income. Lottery net win was comparable to last year's record performance as we continue to rejuvenate brands and pricing strategies. PlayNow.com net win grew strongly, as a result of enhancements to product line-up, but was below targets as ePoker has yet to reach its full potential. Casino and community gaming net win also grew over the previous year, but was below target. Major infrastructure developments in the lower mainland continue to affect a number of casinos, with the most measurable impact being Highway 1/Port Mann Bridge construction on the Boulevard Casino.

We are transforming from a product-driven to a player-driven organization. We will use the understanding of our players, current and future, to develop the variety of games and prize structures that will appeal to them. By focusing on service excellence, putting in place the tools and technology to create a seamless player service experience and working with our service providers to develop and enhance our gambling facilities and retail presentation, we will create the exceptional entertainment experience our players desire.

FINANCIAL/OPERATIONS

Goal 03: invest in infrastructure and technology to drive innovation that enables our growth

net income ($ millions)

Net income is an indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

description of performance measure

Net income is income after prizes, direct and operating expenses and taxes have been deducted, and it is determined in accordance with International Financial Reporting Standards (IFRS).

BCLC's net income is distributed to the Province and is used to fund public health care, education, charitable and community programs that benefit all British Columbians. As a result of an agreement between federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

($ millions)

Our targets are reviewed annually and are based on assessment of performance, with growth forecasts that take into account standard economic indicators used by the Province. Net income targets for 2013/14 and 2014/15 have also been adjusted to reflect the impact of the decision to rescind the HST and revert to the GST/PST tax regime.

In 2011/12 BCLC's net income exceeded budget and beat last year's record performance by $1.7 million. Growth in net win was coupled with careful spending management that resulted in operating costs and amortization that were $24.4 million under budget.

We will continue to focus on optimizing our business in order to sustain current operations and support future growth of net income within the gambling and social policy framework established by the Province.

operating cost ratio (% of net win)

General operating cost ratio as a percentage of net win is a measure of operational efficiency. It indicates how successful we are in balancing the generation of revenue with the cost of operating our business.

description of performance measure
Our general operating cost ratio is the sum of our direct expenses (except prizes and ticket printing), gaming support costs, general operating costs and amortization divided by net win and expressed as a percentage. We benchmark our operating cost ratio to that of other gambling jurisdictions; our costs are below those of the Ontario Lottery and Gaming Corporation, comparable to those of Loto-Québec, but higher than Svenska Spel. For more details, see Appendix 1.

(% of net win)

This year careful spending management resulted in total operating costs and amortization that were $24.4 million under budget.

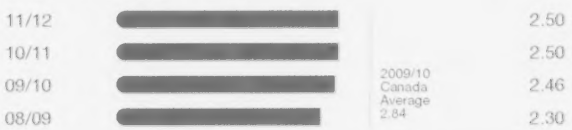
We are investing in modernizing our business, in particular in replacing the technology that supports casino and community gaming centre operations. Although investment in modernization will continue, we are committed to maintaining our operating cost ratio at constant levels.

electronic gaming devices per capita

The number of electronic gaming devices per 1,000 population is a measure of the accessibility of BCLC gambling to British Columbians.

description of performance measure
The number of electronic gaming devices deployed by BCLC is divided by the total population and multiplied by 1,000. We use this measure to monitor availability of gaming devices in B.C. over time. We do not set targets, but we do benchmark to other gambling jurisdictions to monitor how availability in B.C. compares to other provinces. In 2009/10, the last year for which comparator benchmark data is available, the Canadian average was 2.84, slightly above the availability rate in B.C.

(per 1,000 population)



Availability of electronic gaming devices was consistent with 2010/11. We do not expect availability to grow significantly in B.C., as our facilities redevelopment program is nearing completion. In B.C., Government gambling policy excludes Video Lottery Terminals (VLTs), limiting participation to slot machines located in casino and community gaming facilities, where accessibility is restricted to adults. Other Canadian jurisdictions do allow VLTs, but the trend is to reduce or reallocate VLTs, so we expect the Canadian benchmark average to decline.

PEOPLE

Goal 04: have a workforce passionately driving the success of our business

employee engagement (%)

Employee engagement is defined as the intellectual and emotional involvement employees have in an organization. Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

description of performance measure
BCLC uses a third-party research company to measure the level of employee engagement using an annual employee survey that reflects our unique culture, values and business objectives. The survey is a reflection of a broad range of attributes that are important to BCLC: player-focus, delivering an outstanding gambling experience, social responsibility and making BCLC a great place to work.

(%)

The employee survey conducted in early 2012 showed a one per cent improvement in employee engagement, compared to 2011.

The survey also compares BCLC to indices established by the third party research company. BCLC performs highly in these comparisons.

We are continuing to focus on transforming to a player-centric company, which requires modernization of processes and technology. Maintaining employee engagement during major change can be challenging, but our targets for the next three years reflect our commitment to maintain the present high levels of engagement.

employee vacancy rate (%)

Employee vacancy rate is a measure of BCLC's employee turnover, competitiveness and the effectiveness of recruitment processes. It is a high level metric that is subject to considerable variation based on factors such as organizational growth, internal personnel movement, employee demographics and external market conditions. It must be interpreted within the context of the timeframe that is being measured.

description of performance measure
The average percentage of vacant positions in the process of being filled (replacement or additional positions actively being recruited internally and externally) is measured on a monthly basis as a proportion of BCLC's total headcount. The year-end result is calculated by averaging the month-end rates.

(%)

Our employee vacancy rate was slightly better than our target. In 2011/12 there was limited organizational growth and low turnover of employees in a flat labour market.

Our targets reflect our expectation that the number of full-time equivalent positions will remain stable and employee turnover low, but closer to the levels experienced in 2009/10.

risk and capacity

BCLC has a formal enterprise risk management policy and framework that mandates consistent risk identification and evaluation methodology with formally agreed action plans required for all significant risks. Risk is also considered as part of the strategic and business planning processes and all significant corporate projects are required to undertake and report on risk management activities.

The Board uses BCLC's Audit Committee to assist in the review of BCLC's risk register prepared by management on the principal risks facing the Corporation. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit Committee.

RISK/OPPORTUNITY	IMPACT	RESPONSES
risk The entertainment products BCLC offers may not appeal to existing and potential players. New offerings may have lower margins than traditional games **opportunity** Transforming our business to better meet the expectations of current customers and attract new players to our games	If profitability decreases, the net income contribution that BCLC makes to the Province may decline	• BCLC continues to explore new games and new delivery mechanisms while focusing on sustaining existing brands. • This year has seen the continued success of LOTTO MAX and the ongoing revitalization of instant lottery games. • Player feedback has been strengthened through the launch of the Voice of the Customer program. • The eGaming portfolio continues to develop with mobile, sports and bingo products due for launch in 2012. • The implementation of the new gaming management system at casinos and community gaming centres (CGCs) will enable a number of innovations, while a table game strategy is under development. • Cost management continues as a major focus.
risk Personal information collected by BCLC or Service Providers may not be sufficiently protected **opportunity** Using player information to offer more personalized experiences	If player information were to be exposed or misused, this could lead to personal harm, financial cost or loss of reputation	• Over the course of the year BCLC implemented a multi-stage Privacy Impact Assessment (PIA) process. • BCLC has worked closely with our service providers to improve their personal information management systems, and also strengthened the privacy requirements in all of our contract templates. • TRUSTe certification was obtained for PlayNow.com. • We also consulted with the office of the Information and Privacy Commissioner on the development of its own privacy impact assessment guidelines.

RISK/OPPORTUNITY	IMPACT	RESPONSES
information security		
risk Maintaining security in the face of increasingly sophisticated cyber-attacks is an industry-wide concern **opportunity** Further improving our processes, systems and practices to protect both our assets and our players	Emerging security threats require responsive and preventative action to prevent systems, process and information from damage or compromise	• BCLC has made further investments in information systems security this year, with two new specialist positions created. • BCLC undertakes real-time monitoring of our systems and takes a proactive approach to auditing and reviewing critical systems access controls. • A mandatory information security training course was developed and delivered to all BCLC staff. • Security has been embedded into the Privacy Impact Assessment process for all initiatives or significant change.
public trust and support		
risk BCLC may not be seen as a socially responsible, transparent organization that brings value to British Columbia **opportunity** Increasingly engaging both our players and all British Columbians	If public acceptance declines, BCLC's mandate to operate could be threatened	• BCLC has been working to develop a more proactive disclosure approach, with communications strategies now in place for new games and other initiatives, and also to address a number of public concerns. A part of this has been delivered through social media channels, including a responsible gambling blog. • We have also been working on engaging more directly with our local communities, including through sponsoring Responsible Gambling Awareness Week in Vernon. • Enhancements to BCLC's GameSense program over the year included the launch of a new public education campaign for parents, increased presence on PlayNow.com and further development of GameSense Information Centres in casinos and community gaming centres.

RISK/OPPORTUNITY	IMPACT	RESPONSES
Technology and Infrastructure		
risk BCLC is highly reliant on technology systems and expertise which may become inflexible, expensive or difficult to support **opportunity** Implementing new reliable and robust information technologies and capabilities	As BCLC develops, the supporting systems and technology require updating or replacement, increasing expenses to supply and support the business	• BCLC experienced two significant milestones this year with the redevelopment of the main data centre and the creation of a new back up data centre. • A business optimization exercise was completed focusing on the Transformation and Technology division. • The program to replace the gaming management system was initiated, and a number of elements of lottery support systems were replaced.
Compliance and Business Processes		
risk BCLC may not manage all processes with accuracy and integrity, and in compliance with regulatory and social responsibility objectives **opportunity** Streamlining and automating business processes to improve efficiency	Integrity is at the heart of BCLC operations and public trust	• BCLC has been working on improving a number of internal processes, in particular strengthening a number of financial controls through recruiting additional specialists; conducting governance, risk and assurance exercises and expanding the mandatory training program. • On the gaming operations side, policies and procedures have been reviewed and updated and mystery shopping exercises completed. • Focusing on gaming facilities, a number of initiatives to reduce the reliance on cash are underway. Liaison with provincial and local law enforcement continues and external review has been undertaken to provide assurance and identify any areas for future improvement.

Capacity

BCLC is committed to optimizing capacity and capability of our workforce through a holistic and comprehensive approach in managing its people resources. Ensuring BCLC has the right skills to deliver on organizational goals is a primary focus of the Human Resource team. Key targeted areas include the introduction of a proactive recruitment strategy, support for the creation of employee development plans, multi-level leadership development, targeted succession planning and the introduction of workforce planning tools. These efforts have resulted in enhanced employee development opportunities throughout the organization. At the same time, BCLC has conducted a workforce optimization review to ensure effective use of its existing resources, creating greater organizational efficiency.
To support the organization into the future in the effective management of its people resources, it has been identified that investigation into the adoption of an integrated Human Resources technology platform is needed in 2012/13.

management's discussion and analysis

The Management Discussion and Analysis reviews the financial condition and results of operation of British Columbia Lottery Corporation for the fiscal year ended March 31, 2012 and should be read in conjunction with the Corporation's audited financial statements.

Year ended March 31, 2012
(in millions of dollars)

financial overview

	2007/08[2] Actual	2008/09[2] Actual	2009/10[2] Actual	2010/11[1] Actual	**2011/12 Actual**	2011/12 Budget	2011/12 Variance	2011/12 Variance from Prior Year	2012/13 Target	2013/14 Target	2014/15 Target
Revenue											
Lottery	$ 976.9	$ 954.2	$ 937.9	$1,062.4	**$1,061.4**	$ 1,045.0	$ 16.4	$ (1.0)	$1,076.3	$1,113.0	$1,141.0
Casino & community gaming	1,582.3	1,596.0	1,579.4	1,616.3	**1,640.0**	1,681.0	(41.0)	23.7	1,684.0	1,723.0	1,741.0
	2,559.2	2,550.2	2,517.3	2,678.7	**2,701.4**	2,726.0	(24.6)	22.7	2,760.3	2,836.0	2,882.0
Prizes	647.1	599.7	577.6	652.3	**641.9**	627.6	(14.3)	10.4	624.5	634.5	645.4
Net Win	1,912.1	1,950.5	1,939.7	2,026.4	**2,059.5**	2,098.4	(38.9)	33.1	2,135.8	2,201.5	2,236.6
Expenditures[3]											
Lottery	158.9	165.4	155.4	170.5	**175.6**	184.1	8.5	(5.1)	187.4	193.0	199.7
Casino & community gaming	624.3	660.7	667.6	669.9	**689.6**	714.0	24.4	(19.7)	723.4	743.5	759.4
	783.2	826.1	823.0	840.4	**865.2**	898.1	32.9	(24.8)	910.8	936.5	959.1
Net income before tax	1,128.9	1,124.4	1,116.7	1,186.0	**1,194.3**	1,200.3	(6.0)	8.3	1,225.0	1,265.0	1,277.5
GST/HST	40.0	33.7	37.6	80.3	**86.9**	95.3	8.4	(6.6)	100.0	65.0	67.5
Net income											
Lottery	263.9	256.4	266.7	289.4	**279.0**	277.3	1.7	(10.4)	291.0	320.0	326.0
Casino & community gaming	825.0	834.3	812.4	816.3	**828.4**	827.7	0.7	12.1	834.0	880.0	884.0
	$1,088.9	$1,090.7	$1,079.1	$1,105.7	**$1,107.4**	$1,105.0	$ 2.4	$ 1.7	$1,125.0	$1,200.0	$1,210.0
Profit margin	42.6%	42.8%	42.9%	41.3%	**41.0%**	40.5%	0.5%	(0.3)%	40.8%	42.3%	42.0%
Debt	$ 0.0	$ 0.0	$ 60.0	$ 85.0	**$ 90.0**	$ 103.0	$ (13.0)	$ (5.0)	$ 128.0	$ 132.0	$ 143.0
Capital expenditures	$ 60.5	$ 97.4	$ 92.5	$ 81.3	**$ 74.4**	$ 161.4	$ 87.0	$ 6.9	$ 116.2	$ 110.0	$ 105.0

In 2011/12, BCLC achieved a record $1.107 billion in net income, exceeding fiscal 2010/11 by $1.7 million.

This year, BCLC continued to benefit from a rebounding economy that provided consumers with additional discretionary income, and from product enhancements, high lottery jackpots, and the expansion of our PlayNow.com platform.

Each year, BCLC prepares a three-year Service Plan against which its results are measured. Careful spending management this year resulted in total operating costs and amortization that were $24.4 million under budget. Capital spending was $87.0 million less than planned, reflecting the fact that several projects represent multi-year initiatives and the rescheduling of various capital programs.

1 2010/11 comparative results have been restated to comply with IFRS.

Reconciliation of net income for the year ended March 31, 2011:

Total net income for the year (under Canadian GAAP)	$ 1,104.6
Reconciling Items:	
Amortization and depreciation	0.3
Employee costs	0.8
Total net income for the year (under IFRS)	$ 1,105.7

2 2009/10 and prior comparative results reflect Canadian GAAPs

3 Please refer to page 48 for a detailed breakdown of 2011/12 actual expenditures

performance measurement

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2011/12 operational performance against the targets and budgets established in the Service Plan. BCLC also compares its performance to other gaming organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

International Financial Reporting Standards

The Budget Transparency and Accountability Act specifies that the Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Fiscal 2011/12 is the first year BCLC will be formally reporting under IFRS. As noted in the audited financial statements, some comparative numbers for 2010/11 have been restated to comply with the new standards.

economic outlook

Current economic indicators suggest B.C.'s economy will continue to experience modest growth throughout 2012 and 2013.

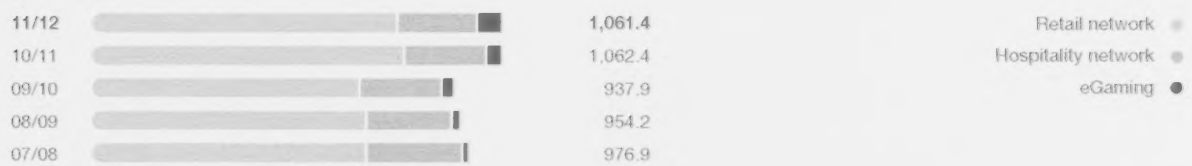
BCLC's strategy will be to continue to invest in new revenue-generating opportunities, strategically manage costs, and upgrade critical infrastructure in order to optimize corporate performance as the economy improves.

A more detailed discussion of initiatives and opportunities can be found in our three-year Service Plan and on our web site (bclc.com).

lottery operations

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	**2011/12 Actual**	2011/12 Budget	2011/12 Variance	Variance From Prior Year
Revenue								
Retail network	$ 709.7	$ 710.7	$ 691.7	$ 807.5	**$ 789.2**	$ 787.9	$ 1.3	$ (18.3)
Hospitality network	248.5	220.0	212.6	212.0	**206.6**	182.1	24.5	(5.4)
eGaming	18.7	23.5	33.6	42.9	**65.6**	75.0	(9.4)	22.7
	976.9	954.2	937.9	1,062.4	**1,061.4**	1,045.0	16.4	(1.0)
Prizes	542.8	521.8	505.3	581.5	**580.8**	556.2	(24.6)	0.7
Net win	434.1	432.4	432.6	480.9	**480.6**	488.8	(8.2)	(0.3)
Direct expenses	79.0	75.5	71.3	77.2	**77.4**	76.8	(0.6)	(0.2)
Gaming support costs and operating expenses	79.9	89.9	84.1	93.3	**98.2**	107.3	9.1	(4.9)
Net income before taxes	275.2	267.0	277.2	310.4	**305.0**	304.7	0.3	(5.4)
GST/HST	11.3	10.6	10.5	21.0	**26.0**	27.4	1.4	(5.0)
Net income	$ 263.9	$ 256.4	$ 266.7	$ 289.4	**$ 279.0**	$ 277.3	$ 1.7	$ (10.4)
Lottery retailers	4,033	4,046	4,044	3,994	**3,853**	4,060	(207.0)	(141.0)
Lottery terminals	3,969	3,995	4,002	3,962	**3,866**	4,050	(184.0)	(96.0)

LOTTERY OPERATIONS
($ millions)



Lottery net income of $279.0 million exceeded budget by $1.7 million but lagged the previous year by $10.4 million. Overall revenue exceed budget by $16.4 million, once again surpassing the $1 billion mark and falling only $1 million short of last year's record $1.062 billion.

Revenue was most notably up in the Instant and Social categories on the continued strength of the brand rejuvenation and pricing strategies introduced last year. LOTTO MAX performance again outpaced statistical projections with twelve $50 million jackpots—just four short of the record sixteen seen in 2010/11.

In 2011/12, BCLC continued to invest in the PlayNow eGaming business, enhancing its suite of casino-style games and making other changes to the product line-up. eCasino games continued to be well received, generating net win of $34.2 million—more than double that seen in 2010/11. However, ePoker has yet to realize its full potential, and this year lagged $8.8 million behind budget. Overall, eGaming contributed $24.8 million to BCLC's net income against a plan of $27.2 million and prior year performance of $8.6 million—a year-over-year increase of 288 per cent.

casino and community gaming operations

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	**2011/12 Actual**	2011/12 Budget	2011/12 Variance	Variance From Prior Year
Revenue								
Slot machines	$ 1,060.6	$ 1,087.4	$ 1,098.6	$1,126.6	**$ 1,140.7**	$1,185.2	$ (44.5)	$ 14.1
Table games	325.8	356.4	343.9	357.1	**380.9**	362.0	18.9	23.8
Poker	22.4	23.5	23.1	22.5	**22.1**	23.0	(0.9)	(0.4)
Bingo	173.5	128.7	113.8	110.1	**96.3**	110.8	(14.5)	(13.8)
	1,582.3	1,596.0	1,579.4	1,616.3	**1,640.0**	1,681.0	(41.0)	23.7
Prizes	104.3	77.9	72.3	70.8	**61.1**	71.4	10.3	9.7
Net win	1,478.0	1,518.1	1,507.1	1,545.5	**1,578.9**	1,609.6	(30.7)	33.4
Direct expenses	517.3	544.3	535.5	542.7	**552.9**	562.1	9.2	(10.2)
Gaming support costs and operating expenses	107.0	116.3	132.1	127.2	**136.7**	151.9	15.2	(10.5)
Net income before taxes	853.7	857.5	839.5	875.6	**889.3**	895.6	(6.3)	12.7
GST/HST	28.7	23.2	27.1	59.3	**60.9**	67.9	7.0	(0.6)
Net income	$ 825.0	$ 834.3	$ 812.4	$ 816.3	**$ 828.4**	$ 827.7	$ 0.7	$ 12.1
Casinos	17	17	17	17	**17**	17	0	0
Slot machines	7,837	8,818	9,438	9,476	**9,727**	9,526	185	251
Tables	481	485	478	436	**459**	498	(39)	23
Commercial halls	15	13	13	11	**10**	10	(2)	(1)
Independent operators	15	14	7	6	**0**	0	0	(6)
Community gaming centres	12	14	15	16	**17**	17	0	1
Community gaming slot machines	1,105	1,378	1,581	1,850	**2,103**	1,927	236	253

CASINO AND COMMUNITY GAMING REVENUE
($ millions)

Casino and Community Gaming revenue reached $1.64 billion in 2011/12, up $23.7 million from the prior year, but $41.0 million short of plan. Net win for the business unit was up $33.4 million over 2010/11, and net income exceeded the prior year by $12.1 million. Overall, the Lower Mainland market was stable, with some shifting of revenue between properties due to the major construction on Highway 1/Port Mann Bridge, affecting access to the Boulevard Casino. A buoyant economy in the northern Interior market resulted in increased customer traffic and strong community gaming centre performance. Also additional revenue was generated with the opening of a new Chances location in Castlegar.

Table games performed very well this year, led by outstanding results from the River Rock Casino Resort's Baccarat tables. Slot machine revenue fell short of budget; however, growth in slot machine revenue at community gaming centres fueled year-over-year improvement. Bingo continues to be challenged by a diminishing player base.

capital spending

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	**2011/12 Actual**	2011/12 Budget	2011/12 Variance
Lottery	$ 10.1	$ 21.0	$ 12.2	$ 4.6	**$ 7.6**	$ 13.1	$ 5.5
eGaming	1.9	2.4	7.2	9.3	**6.8**	12.2	5.4
Casino and community gaming	44.4	62.9	56.4	38.5	**46.8**	104.6	57.8
Corporate	4.1	11.1	16.7	28.9	**13.2**	31.5	18.3
Capital expenditures	$ 60.5	$ 97.4	$ 92.5	$ 81.3	**$ 74.4**	$ 161.4	$ 87.0

From year to year, capital spending varies significantly in response to revenue and gaming facility initiatives. In 2011/12, capital spending of $74.4 million was $87.0 million under budget and $6.9 million less than last year. The positive budget variance this year reflects the approval of several multi-year projects, the rescheduling of a number of infrastructure programs and strategic cost management activities.

CAPITAL SPENDING
($ millions)

2011/12 INITIATIVES

In lottery, major initiatives included the development of a system for lottery sales through existing retail point-of-sale (POS) terminals. Investment in eGaming focused on the continued development and implementation of new casino games on PlayNow.com, enhancements to sports betting, and optimizing PlayNow.com to make it accessible on mobile devices. Major initiatives in casino and community gaming included the new gaming management system, and refreshing slot machines and table games at existing facilities. BCLC continued to invest in the replacement of legacy systems and hardware, and the modernization of core technology and business infrastructure.

B.C. LOTTOTECH INTERNATIONAL INC.

The consolidated statements of the British Columbia Lottery Corporation include B.C. Lottotech International, a wholly owned subsidiary of the Corporation. The primary purpose of B.C. Lottotech is to purchase capital assets for BCLC. These assets are leased back to BCLC and the major expense is the amortization on the capital acquisitions. The management and oversight of B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

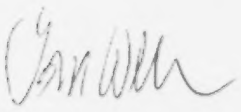
	2011/12	2010/11
Revenue ($ thousands)		
Lease revenue	**$ 62,949**	$ 62,702
Expenses		
Amortization	**62,792**	62,546
Other expenses	**300**	1,300
	63,092	63,846
Net loss	**$ (143)**	$ (1,144)

management's responsibility for financial reporting

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2012, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.



Tom Williamson
CFO & Vice-President,
Finance and Corporate Services

Michael Graydon
President & CEO

independent auditors' report

To the Directors of and Minister Responsible for British Columbia Lottery Corporation:

We have audited the accompanying consolidated financial statements of the British Columbia Lottery Corporation, which are comprised of the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the consolidated statements of comprehensive income, changes in deficit, and cash flows for the years ended March 31, 2012 and 2011, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the British Columbia Lottery Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010, and its consolidated financial performance and cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Vancouver, Canada

May 22, 2012

	March 31 2012	March 31 2011	April 1 2010
Assets			
Current assets:			
Cash (note 5)	$ 52,130	$ 48,539	$ 33,538
Short-term investments (note 6)	29,335	28,970	29,628
Accounts receivable (note 7)	32,310	24,206	25,859
Receivable from Interprovincial Lottery Corporation	–	–	4,247
Prepaid expenses	4,439	3,962	3,708
Inventories (note 8)	9,819	9,541	9,379
Total current assets	128,033	115,218	106,359
Employee future benefit plan assets (note 9)	1,546	1,641	11,992
Property and equipment (note 10)	138,710	145,528	141,942
Intangible assets (note 11)	43,878	31,114	22,101
Total assets	$ 312,167	$ 293,501	$ 282,394
Liabilities			
Current liabilities:			
Cheques issued in excess of funds on hand	$ –	$ –	$ 5,635
Prizes payable (note 12)	31,410	27,198	25,483
Accounts payable and accrued liabilities (note 13)	46,894	43,992	37,819
Short-term financing (note 14)	90,122	85,049	59,996
Payable to Interprovincial Lottery Corporation	714	3,142	–
Due to Government of British Columbia	136,627	115,757	128,715
Deferred revenue	3,825	7,984	5,776
Total current liabilities	309,592	283,122	263,424
Accrued post retirement benefit obligation (note 9)	52,873	42,350	37,304
Provisions (note 15)	800	1,300	500
Total liabilities	363,265	326,772	301,228
Deficit			
Accumulated deficit	(17,728)	(17,728)	(18,834)
Accumulated other comprehensive loss	(33,370)	(15,543)	–
Total deficit	(51,098)	(33,271)	(18,834)
Total liabilities and deficit	$ 312,167	$ 293,501	$ 282,394

Commitments and contingencies (notes 21 and 22)

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Chair, Board of Directors

Moray Keith
Board Audit Committee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2012 and 2011
(In thousands of Canadian dollars)

	2012	2011
Revenue (note 16)	$ 2,701,457	$ 2,678,687
Prizes	641,945	652,296
Net win	2,059,512	2,026,391
Commissions and fees	599,550	589,728
Gaming systems, maintenance and ticket distribution	29,105	24,562
Gaming equipment, leases and licenses	18,631	16,790
Ticket printing	12,145	13,347
	659,431	644,427
Employee costs	82,118	76,623
Amortization and depreciation	67,074	66,004
Advertising, marketing and promotions	31,573	29,493
Professional fees and services	8,089	6,908
Cost of premises	6,265	4,045
Net finance costs (note 17)	458	25
Other	10,167	12,810
	205,744	195,908
Net income before tax	1,194,337	1,186,056
Harmonized Sales Tax expense	86,902	80,310
Net income	1,107,435	1,105,746
Other comprehensive loss		
Defined benefit plan actuarial losses (note 9)	(17,827)	(15,543)
Total comprehensive income	$ 1,089,608	$ 1,090,203

Sector activity information (note 25)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT

Years ended March 31, 2012 and 2011
(In thousands of Canadian dollars)

	Accumulated Deficit	AOCL[1]	Total Deficit
Opening balance, April 1, 2010	$ (18,834)	$ –	$ (18,834)
Net income	1,105,746	–	1,105,746
Distributions to Government of British Columbia (note 19)	(1,095,742)	–	(1,095,742)
Distributions to Government of Canada (note 18)	(8,898)	–	(8,898)
Defined benefit plan actuarial losses (note 9)	–	(15,543)	(15,543)
Ending balance, March 31, 2011	(17,728)	(15,543)	(33,271)
Net income	1,107,435	–	1,107,435
Distributions to Government of British Columbia (note 19)	(1,098,271)	–	(1,098,271)
Distributions to Government of Canada (note 18)	(9,164)	–	(9,164)
Defined benefit plan actuarial losses (note 9)	–	(17,827)	(17,827)
Ending balance, March 31, 2012	**$ (17,728)**	**$ (33,370)**	**$ (51,098)**

1 Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2012 and 2011
(In thousands of Canadian dollars)

	2012	2011
Cash provided by (used in):		
Operating activities:		
Net income	$ 1,107,435	$ 1,105,746
Items not involving cash:		
Depreciation of property and equipment	55,141	56,840
Amortization of intangible assets	11,933	9,164
Loss on disposal of property and equipment	420	1,777
Loss on disposal of intangible assets	369	701
Net benefit plan expense	8,691	6,549
Write-down of inventory to net realizable value	383	722
Unrealized foreign exchange gain	–	(17)
Net finance costs	458	25
	1,184,830	1,181,507
Changes in working capital or operating activities:		
Accounts receivable	(8,104)	1,740
Receivable from Interprovincial Lottery Corporation	–	4,247
Prepaid expenses	(477)	(254)
Inventories	(661)	(884)
Employee future benefit plan assets and accrued post retirement benefit obligation (note 9)	(15,900)	(6,695)
Prizes payable	4,212	1,715
Accounts payable and accrued liabilities	2,782	6,008
Payable to Interprovincial Lottery Corporation	(2,428)	3,142
Deferred revenue	(4,159)	2,208
Provisions	(500)	–
Interest received	406	368
Net cash from operating activities	1,160,001	1,193,102
Cash flows from financing activities:		
Increase in short-term financing	5,073	25,053
Interest paid	(744)	(298)
Distributions to Government of British Columbia (note 19)	(1,077,401)	(1,108,700)
Distributions to Government of Canada (note 18)	(9,164)	(8,898)
Net cash used in financing activities	(1,082,236)	(1,092,843)
Cash flows from investing activities:		
Additions to property and equipment	(49,381)	(62,075)
Additions to intangible assets	(25,066)	(18,878)
Proceeds on disposal of property and equipment	638	672
Net cash used in investing activities	(73,809)	(80,281)
Net increase in cash and cash equivalents	3,956	19,978
Cash and cash equivalents, beginning of years	77,509	57,531
Cash and cash equivalents, end of years	$ 81,465	$ 77,509
Cash and cash equivalents are comprised of:		
Cash (note 5)	$ 52,130	$ 48,539
Short-term investments (note 6)	29,335	28,970
Cash and cash equivalents, end of years	$ 81,465	$ 77,509

See accompanying notes to consolidated financial statements.

1. Reporting entity:

The British Columbia Lottery Corporation (BCLC or the Corporation) is a Crown corporation of British Columbia. BCLC was incorporated under the *Company Act* (British Columbia) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street in Kamloops, British Columbia, Canada. As an agent of the Crown, the Government of British Columbia (B.C.) has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of B.C., including lottery, casino, bingo and internet gaming. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. As BCLC is an agent of the Crown, it is not subject to federal or provincial corporate income taxes.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These are the Corporation's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1).

In previous years, these consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). This has resulted in certain changes to previously applied accounting policies. The comparative figures from 2011 have been restated to reflect the impact of these changes. The effects of these changes in accounting policies are explained in the disclosures concerning the transition from Canadian GAAP to IFRS required by IFRS 1, as set out in note 26 of the notes to the consolidated financial statements.

The consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 22, 2012.

(b) Basis of measurement:

The consolidated financial statements of the Corporation have been prepared on the historical cost basis except for employee future benefit plan assets which are recognized as the net total of the plan assets, plus unrecognized past service costs less the present value of the defined benefit obligation.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All values are rounded to the nearest thousand dollars.

(d) Key assumptions and significant judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (continued):

(d) Key assumptions and significant judgments (continued):

Information about significant areas of estimation uncertainty, and critical judgments in applying accounting policies are as follows:

(i) Employee future benefits (note 9)

(ii) Asset lives and residual values of property and equipment (note 10) and intangible assets (note 11)

(iii) Provisions (note 15)

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by the Corporation and its subsidiary.

(a) Basis of consolidation:

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned Canadian subsidiary of BCLC. The financial statements used for consolidation are at the reporting date. Intercompany transactions and balances are eliminated on consolidation.

(b) Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the reporting date. Foreign currency exchange differences are recorded in income in the period incurred.

(c) Cash equivalents:

Cash equivalents include short-term investments in overnight deposits with financial institutions having original maturity dates of 90 days or less. Short-term investments are highly liquid and form an integral part of the Corporation's cash management. As such, they are a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(d) Financial instruments:

The Corporation classifies its non-derivative financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity, available-for-sale, and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired.

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

(i) Non-derivative financial assets:

The Corporation recognizes loans and receivables on the date that they are originated. All other financial assets are recognized on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset are settled or expire.

The Corporation has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses. Amortized cost is determined with reference to any discounts or premiums on acquisition over the period to maturity.

Loans and receivables are comprised of cash, short-term investments, accounts receivable and the receivable from Interprovincial Lottery Corporation.

Accounts receivable are due for settlement no more than 30 days from the date of recognition. Collectibility of accounts receivable is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provision of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Corporation has the following non-derivative financial liabilities: cheques issued in excess of funds on hand, prizes payable, accounts payable and accrued liabilities, short-term financing, payable to Interprovincial Lottery Corporation, and due to Government of British Columbia.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

(iii) Embedded derivatives:

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through income.

(e) Inventories:

Instant tickets and supplies are recorded at the lower of cost, determined on a weighted average basis, and net realizable value. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

The net realizable value of instant tickets is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For all other inventories, net realizable value is cost.

Inventories of minor spare parts are measured at the lower of cost, determined on a weighted average basis, and net realizable value.

Merchandise prize inventory is recorded at the lower of cost, determined using specific identification, and net realizable value.

(f) Employee future benefits:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of benefit payable in the future that employees have earned in return for their service in the current and prior periods; that benefit is then discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of the economic benefits available in the form of any future refunds from the plan, if allowed, or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The discount rate is the spot rate yield curve at the end of each month based on Canadian AA corporate bond yields that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in income on a straight-line basis over the average vesting period. To the extent that the benefits vest immediately, the portion of the increased benefit relating to past service is recognized immediately in income.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive loss, and reports them in accumulated other comprehensive loss. Also, any variations in the asset limit are recognized in other comprehensive loss.

The actuarial valuations of the defined benefit plans for IAS 19 *Employee Benefits* purposes are performed annually by qualified actuaries using the projected unit credit method.

3. Significant accounting policies (continued):

(g) Property and equipment:

The Corporation's policy on capital purchases is that any major purchase which has a useful life of more than 12 months beyond the end of the current year will be capitalized.

The Corporation's property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment at April 1, 2010, the date of transition to IFRS, was determined by reference to its historical cost at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of salaries and benefits for employees working directly on the construction of the qualifying asset. The amount capitalized is based on the time spent on the construction of the asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The cost of replacing part of an item of property and equipment is recognized within the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in income as incurred.

Land is not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and is taken at the following annual rates:

Asset	Rate
Corporate facilities and equipment	5 to 20 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino and community gaming systems and equipment	3 to 5 years

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. An impairment loss on property and equipment may be reversed upon subsequent increase of the fair value of such assets.

Property and equipment under construction is not depreciated. Depreciation commences upon completion of the construction when the assets are available for use.

Gains and losses realized on the disposition of items of property and equipment are determined by comparing net proceeds with carrying amounts. These gains and losses on disposal are included on a net basis within other expenses in the consolidated statement of comprehensive income.

(h) Intangible assets:

Costs incurred in developing or acquiring computer software products or systems that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Costs capitalized are directly attributable to the development or acquisition of the intangible asset. Costs include direct costs of materials and services, payroll and payroll-related costs of employees' time spent on the project. Borrowing costs related to the development of qualifying assets are capitalized.

3. Significant accounting policies (continued):

(h) Intangible assets (continued):

The cost of internally developed intangible assets is comprised of developmental costs that are directly attributable to creation, production and preparation of the asset to be capable of operating in the manner intended by management. These costs are capitalized if they meet all of the following criteria:

- The technical feasibility of completing the intangible asset for use has been demonstrated,
- The Corporation has demonstrated its intention to use the intangible asset,
- The Corporation has demonstrated its ability to use the intangible asset,
- The usefulness of the intangible asset in generating probable future economic benefit has been demonstrated,
- There are adequate technical, financial, and other resources to complete the development of the intangible asset, and
- The expenditures attributable to the intangible asset can be measured reliably during its development.

Other development costs are recognized in income as incurred.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to five years). The residual values, amortization methods, and useful economic lives of intangible assets are reviewed annually. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. An impairment loss for an intangible asset may be reversed upon subsequent increase of the fair value of such assets.

(i) Impairment:

(i) Financial assets:

A financial asset not carried at fair value through income is assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows.

(ii) Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee future benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Borrowing costs:

Borrowing costs directly attributable or allocated to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial amount of time to get ready for their intended use or sale, are added to the cost of those assets. The Corporation uses the weighted average of the general borrowing costs of the Corporation, exclusive of specific borrowing costs, and the effective interest rate method to determine the capitalization rate for allocation of borrowing costs. The Corporation ceases to capitalize borrowing costs when the asset is substantially ready for use.

All other borrowing costs are recognized in income in the period in which they are incurred.

3. Significant accounting policies (continued):

(k) Provisions:

Provisions are liabilities of uncertain timing and amount. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect current estimates.

A provision for decommissioning is recognized when the Corporation enters a lease agreement or acquires property or equipment which the Corporation is legally obliged to decommission at the end of the lease term or the estimated useful life. The provision is based on the estimated future cost of returning the premises or equipment to its required state.

(l) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized for major business activities as follows:

(i) Lottery:

The recognition of revenue and the corresponding direct expenses for electronically generated lottery tickets sold through retail terminals and online through PlayNow.com is at the date of the draw.

Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

The recognition of lottery revenue, net of buybacks, and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

PlayNow Casino revenue is comprised of revenue from eCasino, ePoker, eBingo and interactive products. Revenue from eCasino and ePoker is recorded in income, net of prizes paid, in the same period the game is played. Revenue from other lottery products (including eBingo and interactive products) is recorded in income in the same period the games are played.

Subscription revenue is recognized at the date of each draw over the life of the subscription.

(ii) Casino and Community Gaming:

Revenue from casino and community gaming slot machines and table games is recorded in income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in income in the period they are incurred. Revenue from the operation of bingo games, and the associated selling costs and prize expenses, are included in income in the same period the games are played.

3. Significant accounting policies (continued):

(l) Revenue recognition (continued):

(iii) Customer loyalty programs:

The Corporation has several customer loyalty programs through which customers receive free or discounted goods or services. If a customer has the right to receive cash under a customer loyalty program, then the cash value is recognized as a financial liability under IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). These customer loyalty programs are measured initially at fair value and are only derecognized when the derecognition criteria in IAS 39 are met. If the patron does not have the right to receive cash, if the promotion is part of a current gaming transaction, and if the patron can redeem the promotional item for free or discounted goods or services, then the revenue, as determined by the fair value of the undelivered goods and services related to the customer loyalty program estimated taking into account the expected redemption rate when applicable, is deferred until the promotional consideration is provided under IFRIC 13 *Customer Loyalty Programs* or until the award expires.

(iv) Net win:

Net win represents revenue net of prizes paid.

(m) Prize expenses:

Lottery prize expenses are recorded based on the actual prize liability experienced for each game, with the exception of instant ticket games which are recorded at theoretical prize liabilities for each game.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are then recorded as reductions in prize expense and prize liability in the year of expiry.

Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Progressive jackpots:

The Corporation has several progressive jackpot games, each of which may be comprised of a seed as well as an incremental portion which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has the obligation to pay the jackpot.

(n) Commissions:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is recognized.

Commissions paid to gaming facility service providers are based on net win earned. BCLC records these commission expenses as net win is earned.

BCLC employs a commission structure that enables gaming facility service providers to earn additional commission (facility development commission (FDC) and accelerated facility development commission (AFDC)), up to contractually determined limits, based on net win earned.

The FDC and AFDC are recorded as commission expenses by BCLC as net win is earned.

3. Significant accounting policies (continued):

(o) Leases:

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases not classified as finance leases are considered operating leases. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

(p) Finance income and finance costs:

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in income, using the effective interest method.

Finance costs are comprised of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in income using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

(q) Sector activity reporting:

The Corporation's reportable sectors are business units that represent distinct distribution channels for similar products and services. These sectors are lottery, and casino and community gaming. The sector activity is illustrated in note 25. The accounting policies of the sectors do not differ from the accounting policies of the Corporation.

(r) New standards and interpretations issued but not yet adopted:

The following standard has been issued but is not effective until July 1, 2012:

Presentation of Financial Statements:

Amendments to IAS 1 *Presentation of Financial Statements* have been published which revise the presentation of other comprehensive income. The amendments to the standard retain the one or two statement approach alternative at the option of the entity and revise the presentation of other comprehensive income by requiring separate subtotals for those elements which may ultimately be reclassified to net income as well as for those elements that will not. The amendments to IAS 1 will impact the presentation of the components of other comprehensive loss in the Corporation's *Consolidated Statement of Comprehensive Income*. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

3. Significant accounting policies (continued):

(r) New standards and interpretations issued but not yet adopted (continued):

The following standards have been issued but are not effective until January 1, 2013:

Employee Benefits:

IAS 19 *Employee Benefits* has been amended to modify accounting for changes in the net defined benefit liability and termination benefits, enhance the disclosure requirements around defined benefit plans, and provide further clarification on certain matters. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

Financial Instruments:

IFRS 7 *Financial Instruments: Disclosures* has been amended to contain new disclosure requirements for financial assets and liabilities that are:

- offset in the statement of financial position; or
- subject to master netting arrangements or similar arrangements.

These amendments are to be applied retrospectively. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

The following standard has been issued but is not effective until January 1, 2014:

Financial Instruments:

IAS 32 *Financial Instruments: Presentation* has been amended to clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. These amendments are to be applied retrospectively. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2015.

The following standard has been issued but is not effective until January 1, 2015:

Financial Instruments:

IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. The new standard provides new requirements for classifying and measuring financial assets and financial liabilities and maintains the existing requirements for derecognition of financial assets and financial liabilities. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2016.

4. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

General:

BCLC's Board of Directors (the Board) is responsible for the oversight of management including its policies related to financial and risk management issues. The Board uses BCLC's Audit Committee to assist in the review of the risk register prepared by management on the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee also oversees and reports back to the Board on the review of the Corporation's information systems, risk management function and internal controls in order to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate, and timely management and financial information.

The Corporation has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit Committee.

The Corporation also has a division focused on corporate security and compliance. Further, the Corporation has Audit Services and a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

Credit risk:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, investments and cash floats.

Trade receivables, net win less commissions outstanding, and cash floats:

The major third parties transacting with the Corporation, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC. The Corporation is not materially exposed to any one individual lottery retailer or gaming facility service provider except as noted below.

The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences or where there is a concern that a retailer might be experiencing financial difficulties.

Security is obtained from lottery retailers who are considered high financial risks or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees.

4. Financial risk management (continued):

Credit risk (continued):

Trade receivables, net win less commissions outstanding, and cash floats (continued):

The Corporation may secure trade receivables from lottery retailers and net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit. This security also covers gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. While the Corporation is materially exposed to two different gaming facility service providers, their letters of credit and daily cash sweeps made by the Corporation mitigate the risk of material default for financial assets owned by the Corporation.

The Corporation's PlayNow.com sales are paid in advance through credit card, debit card, or online bill payment transactions.

As at March 31, 2012, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $7,730 (2011: $3,549; April 1, 2010: $1,282) of the accounts receivable carrying amount.

The maximum exposure to credit risk for trade receivables and net win less commissions outstanding at the reporting date by type of debtor is represented by the carrying amounts, as detailed in note 7, less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

	March 31 2012	March 31 2011	April 1 2010
Lottery retailers	$ 13,980	$ 13,059	$ 14,652
Gaming facility service providers	–	–	–
Other	1,703	1,015	6,246
	$ 15,683	$ 14,074	$ 20,898

Normal credit terms of trade receivables or net win less commissions outstanding are due within 30 days. As at March 31, 2012, March 31, 2011 and April 1, 2010, there were no trade receivables or net win less commissions outstanding more than 60 days overdue.

Investments:

The Corporation limits its exposure to credit risk by investing only in short-term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meets its obligations.

The Corporation has a formal policy and guidelines in place for short-term investments that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

4. Financial risk management (continued):

Credit risk (continued):

Investments (continued):

Specifically, the Corporation may invest in the following short-term investments:

- Fixed income securities issued, insured, or guaranteed by the Government of Canada, a provincial or municipal government, or the Government of the United States;
- Short-term financial and corporate commercial paper rated R-1 by the Dominion Bond Rating Service (DBRS) or an equivalent rating agency;
- Short-term paper issued by savings institutions;
- Fixed income securities from corporate issuers with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency; and
- Canadian dollar denominated fixed income securities issued, insured or guaranteed by a non-Canadian sovereign government or a supranational entity (e.g., the World Bank), with a rating of A or R-1 or better from DBRS, or with an equivalent rating from another rating agency.

A policy has been established that outlines various asset mix range percentages for investments restricted to short-term pooled money market funds or bond investments.

Concentrations:

The Corporation has significant business arrangements with two gaming facility service providers which account for the majority of its casino business. The Corporation also has arrangements with other gaming facility service providers and approximately 4,000 lottery retailers. Credit risk related to service providers or lottery retailers is mitigated through Irrevocable Standby Letters of Credit or security deposits, as well as the distribution of risk across a large number of lottery retailers.

The Corporation has a number of business relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gambling industry.

4. Financial risk management (continued):

Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of B.C. under its Fiscal Agency Loan (FAL) program. Under this agreement, the Corporation may borrow up to $150 million. In making a loan to the Corporation, the Government of B.C. uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of B.C.. Loans are unsecured and there are no pre-established repayment terms. The terms are set by the Government of B.C. each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has a $10 million unused demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2011: prime rate; April 1, 2010: prime rate plus 0.5 per cent).

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money and money from normal operations held in advance of its transfer to the Government of B.C.. As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of financial liabilities at March 31, 2012, March 31, 2011 and April 1, 2010 are as follows:

March 31, 2012:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Prizes payable	$ 31,410	$ (31,410)	$ (25,093)	$ (6,317)
Accounts payable and accrued liabilities	46,894	(46,894)	(46,894)	–
Short-term financing	90,122	(90,122)	(90,122)	–
Payable to Interprovincial Lottery Corporation	714	(714)	(714)	–
Due to Government of British Columbia	136,627	(136,627)	(136,627)	–
	$ 305,767	$ (305,767)	$ (299,450)	$ (6,317)

4. Financial risk management (continued):

Liquidity risk (continued):

March 31, 2011:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Prizes payable	$ 27,198	$ (27,198)	$ (23,118)	$ (4,080)
Accounts payable and accrued liabilities	43,992	(43,992)	(43,992)	–
Short-term financing	85,049	(85,049)	(85,049)	–
Payable to Interprovincial Lottery Corporation	3,142	(3,142)	(3,142)	–
Due to Government of British Columbia	115,757	(115,757)	(115,757)	–
	$ 275,138	$ (275,138)	$ (271,058)	$ (4,080)

April 1, 2010:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Cheques issued in excess of funds on hand	$ 5,635	$ (5,635)	$ (5,635)	$ –
Prizes payable	25,483	(25,483)	(19,112)	(6,371)
Accounts payable and accrued liabilities	37,819	(37,819)	(37,819)	–
Short-term financing	59,996	(59,996)	(59,996)	–
Due to Government of British Columbia	128,715	(128,715)	(128,715)	–
	$ 257,648	$ (257,648)	$ (251,277)	$ (6,371)

4. Financial risk management (continued):

Market risk:

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of a financial instrument. Market risk includes currency risk, interest rate risk and other market price risk. BCLC is exposed to currency risk and interest rate risk which are described below.

Currency risk:

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. dollars (USD)) and by holding bank accounts and investments in USD.

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

The Corporation's exposure to currency risk, based on notional amounts, is as follows:

	March 31, 2012		March 31, 2011		April 1, 2010	
	CAD	**USD[1]**	CAD	USD[1]	CAD	USD[1]
Short-term investments	**$ 29,216**	**$ 119**	$ 28,854	$ 116	$ 29,507	$ 121
Cash held	**55,490**	**694**	53,151	376	31,076	545
Accounts payable and accrued liabilities	**(46,829)**	**(65)**	(42,907)	(1,085)	(37,379)	(440)
Net exposure	**$ 37,877**	**$ 748**	$ 39,098	$ (593)	$ 23,204	$ 226

1 Note: All USD balances are shown in Canadian dollar (CAD) equivalents.

The Corporation does not have material currency risk since substantially all of its transactions are settled in Canadian dollars.

4. Financial risk management (continued):

Market risk (continued):

Interest rate risk:

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Government of B.C.. The terms are set by the Government of B.C. each time a loan is requested under the FAL agreement. The terms are determined based on market conditions available at that time.

The Corporation mitigates this risk by borrowing from the Government of B.C. for the minimum time necessary.

The Corporation is also exposed to interest rate risk through the Corporation's demand operating credit facility (when used) which is subject to interest charged at its bank's commercial prime lending rate (2011: prime rate; April 1, 2010: prime rate plus 0.5 per cent).

The Corporation mitigates this risk by minimizing the use of the demand operating credit facility.

The Corporation's interest-bearing assets are typically invested for short periods due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Short-term investments			
(fixed rate instruments)	$ 29,335	$ 28,970	$ 29,628
Short-term financing			
(fixed rate instruments)	(90,122)	(85,049)	(59,996)
	$ (60,787)	$ (56,079)	$ (30,368)

Sensitivity analysis:

The Corporation has classified its fixed-rate short-term investments as loans and receivables and its short-term financing as non-derivative financial liabilities. A one percent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net income		Net income	
	March 31, 2012		March 31, 2011	
	1% increase	1% decrease	1% increase	1% decrease
Short-term investments	$ 293	$ (293)	$ 289	$ (289)
Short-term financing	$ (901)	$ 901	$ (850)	$ 850

4. Financial risk management (continued):

Market risk (continued):

Fair values:

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

5. Cash:

	March 31 2012	March 31 2011	April 1 2010
Gaming cash floats	$ 41,347	$ 41,120	$ 24,104
Funds held for security deposits	3,434	3,353	7,958
Funds held for player accounts	2,667	2,262	1,476
Unrestricted operating cash	4,682	1,804	–
	$ 52,130	$ 48,539	$ 33,538

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $3,434 (2011: $3,353; April 1, 2010: $7,958) is included in accounts payable and accrued liabilities.

Funds held for player accounts represent funds provided to the Corporation by PlayNow.com players through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding PlayNow.com player account liability in the amount of $2,667 (2011: $2,262; April 1, 2010: $1,476) is included in accounts payable and accrued liabilities.

Select casino service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (the accounts). These gaming accounts are accounted for in a trust-like fashion by the casino service providers in accordance with policy and under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's financial statements for the accounts. The casino service providers are legally liable for these accounts that hold player funds.

6. Short-term investments:

	March 31 2012	March 31 2011	April 1 2010
BC Investment Management Corporation:			
Canadian Money Market Fund (overnight deposit)	$ 29,216	$ 28,854	$ 29,507
US Dollar Money Market Fund (overnight deposit)	119	116	121
	$ 29,335	$ 28,970	$ 29,628

7. Accounts receivable:

	March 31 2012	March 31 2011	April 1 2010
Trade receivables and net win less commissions outstanding:			
Lottery retailers	$ 17,774	$ 16,819	$ 18,552
Gaming facility service providers	12,833	6,372	5,308
	30,607	23,191	23,860
Other	1,703	1,015	1,999
Total accounts receivable	$ 32,310	$ 24,206	$ 25,859

8. Inventories:

The major components of inventories are as follows:

	March 31 2012	March 31 2011	April 1 2010
Slot machine spare parts	$ 5,700	$ 5,723	$ 5,171
Instant tickets	2,404	1,888	2,366
Lottery ticket supplies and other supplies	1,069	1,248	1,156
Merchandise prizes	646	682	686
	$ 9,819	$ 9,541	$ 9,379

For the year ended March 31, 2012, inventories recognized as an expense amounted to $15,024 (2011: $17,653).

For the year ended March 31, 2012, the write-down of ticket inventories and merchandise prizes to net realizable value amounted to $383 (2011: $722) of which $339 (2011: $722) was included in ticket printing expense and $44 (2011: $nil) was included in prize expense.

9. Employee future benefits:

The Corporation sponsors two defined benefit pension plans: a registered plan which covers substantially all of its employees and a supplementary plan which covers employees designated by the Corporation. The pension benefits are based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and are partially indexed for inflation after retirement. The registered plan is funded by employee and employer contributions. The supplementary plan is unfunded.

The Corporation also sponsors a non-pension post-retirement defined benefit plan covering substantially all of its employees. The non-pension post-retirement plan is unfunded.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans			Post Retirement Benefit Plan		
	March 31 2012	March 31 2011	April 1 2010	**March 31 2012**	March 31 2011	April 1 2010
Present value of unfunded accrued benefit obligation	**$ (6,855)**	$ (5,684)	$ (5,028)	**$ (49,611)**	$ (38,681)	$(33,227)
Present value of funded accrued benefit obligation	**(134,863)**	(115,748)	(88,538)	**–**	–	–
Total present value of obligations[1]	**(141,718)**	(121,432)	(93,566)	**(49,611)**	(38,681)	(33,227)
Fair value of plan assets	**142,972**	122,998	105,467	**–**	–	–
Unamortized past service costs (benefit)	**292**	75	91	**(3,262)**	(3,669)	(4,077)
Accrued employee future benefit plan asset (liability)	**$ 1,546**	$ 1,641	$ 11,992	**$ (52,873)**	$ (42,350)	$(37,304)

1 Estimated accrued benefit obligation increase (decrease) on the post-retirement benefit plan—effect with:

	March 31 2012	March 31 2011	April 1 2010
1% increase in assumed health care cost trend rate	**$ 10,648**	$ 7,511	$ 6,126
1% decrease in assumed health care cost trend rate	**$ (8,249)**	$ (5,902)	$ (4,852)

A one per cent increase in the discount rate at the reporting date would decrease the value of the accrued benefit obligation in the funded registered pension plan by an estimated $21,000. A one per cent decrease in the discount rate at the reporting date would increase the value of the accrued benefit obligation in the funded registered pension plan by an estimated $27,000.

Change in the present value of the **defined benefit obligations**	Pension Plans		Post Retirement Benefit Plan	
	2012	2011	**2012**	2011
Balance at April 1	**$ 121,432**	$ 93,566	**$ 38,681**	$ 33,227
Current service cost	**6,363**	4,931	**1,899**	1,421
Interest cost	**7,351**	5,995	**2,403**	2,180
Plan amendments	**257**	–	**–**	–
Employee contributions	**2,569**	2,452	**–**	–
Benefits paid	**(4,555)**	(2,794)	**(666)**	(602)
Actuarial loss	**8,434**	17,282	**7,294**	2,455
Curtailment gain	**(133)**	–	**–**	–
Balance at March 31	**$ 141,718**	$ 121,432	**$ 49,611**	$ 38,681

9. Employee future benefits (continued):

Change in the fair value of plan assets	Pension Plans 2012	Pension Plans 2011	Post Retirement Benefit Plan 2012	Post Retirement Benefit Plan 2011
Fair value at April 1	$ 122,998	$ 105,467	$ –	$ –
Expected return on plan assets[1]	8,825	7,586	–	–
Actuarial (loss) gain	(2,099)	4,194	–	–
Employer contributions[2]	15,234	6,093	666	602
Employee contributions	2,569	2,452	–	–
Benefits paid	(4,555)	(2,794)	(666)	(602)
Balance at March 31	$ 142,972	$ 122,998	$ –	$ –

1 Actual return on plan assets was $6,726 (2011: $11,780).

2 The total employer contributions for all plans for the year ended March 31, 2012 are $15,900 (2011: $6,695).

Plan assets by asset category for the registered plan only:

	March 31 2012	March 31 2011	April 1 2010
Equity securities	63%	61%	61%
Debt securities	37%	39%	39%
	100%	100%	100%

The Corporation's total expense recognized in income is as follows:

	Pension Plans 2012	Pension Plans 2011	Post Retirement Benefit Plan 2012	Post Retirement Benefit Plan 2011
Current service cost	$ 6,363	$ 4,931	$ 1,899	$ 1,421
Interest cost	7,351	5,995	2,403	2,180
Expected return on plan assets	(8,825)	(7,586)	–	–
Past service cost (credit) recognized in the year	40	16	(407)	(408)
Curtailment gain recognized	(133)	–	–	–
Total expense recognized in income[3]	$ 4,796	$ 3,356	$ 3,895	$ 3,193

The total expense is recognized in employee costs in the consolidated statement of comprehensive income.

3 Estimated effect on the aggregate of current service cost and interest cost on the post-retirement benefit plan—income decrease (increase) effect with:

	2012	2011
1% increase in assumed health care cost trend rate	$ 1,079	$ 839
1% decrease in assumed health care cost trend rate	$ (807)	$ (640)

9 Employee future benefits (continued):

The actuarial losses recognized in other comprehensive loss are as follows:

	Pension Plans		Post Retirement Benefit Plan	
	2012	2011	**2012**	2011
Cumulative amount at April 1	**$ 13,088**	$ –	**$ 2,455**	$ –
Actuarial loss	**10,533**	13,088	**7,294**	2,455
Cumulative amount at March 31	**$ 23,621**	$ 13,088	**$ 9,749**	$ 2,455

The total actuarial losses recognized for all plans in other comprehensive loss for the year ended March 31, 2012 are $17,827 (2011: $15,543).

An actuarial valuation is required, at a minimum, every three years to assess the financial position of the registered pension plan. The most recent actuarial valuation of the registered plan for funding purposes was made as of December 31, 2010 by Mercer (Canada) Limited, a firm of consulting actuaries. The next required actuarial valuation will be made as of December 31, 2013, with results expected to be available in 2014. There is no statutory requirement to perform actuarial valuations of the supplementary plan and the non-pension post-retirement benefit plan. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans			Post Retirement Benefit Plan		
	March 31 2012	March 31 2011	April 1 2010	**March 31 2012**	March 31 2011	April 1 2010
Discount rate at reporting dates	**5.10%**	5.91%	6.25%	**5.10%**	5.98%	6.35%
Expected return on plan assets at beginning of years	**6.25%**	7.00%	7.00%	–	–	–
Rate of compensation increase for fiscal year	**3.78%**	2.80%	4.27%	–	–	–
Future compensation increases	**2.50%**	3.50%	3.00%	–	–	–
Future pension increases	**3.25%**	3.25%	3.00%	–	–	–
Inflation	**2.25%**	2.75%	2.50%	–	–	–
Initial weighted-average health care trend rate	–	–	–	**6.55%**	6.64%	6.84%
Ultimate weighted average health care trend rate	–	–	–	**4.50%**	4.50%	4.50%
Year ultimate reached	–	–	–	**2029**	2029	2029

9. Employee future benefits (continued):

Historical information:

	Pension Plans			Post Retirement Benefit Plan		
	March 31 2012	March 31 2011	April 1 2010	**March 31 2012**	March 31 2011	April 1 2010
Present value of accrued benefit obligation	**$ (141,718)**	$ (121,432)	$ (93,566)	**$ (49,611)**	$ (38,681)	$ (33,227)
Fair value of plan assets	**142,972**	122,998	105,467	**–**	–	–
Surplus (deficit)	**$ 1,254**	$ 1,566	$ 11,901	**$ (49,611)**	$ (38,681)	$ (33,227)
Experience adjustments arising on plan liabilities	**$ (2,329)**	$ (3)	n/a	**$ 63**	$ 25	n/a
Experience adjustments arising on plan assets	**$ (2,099)**	$ 4,194	n/a	**n/a**	n/a	n/a

The contributions expected to be paid during the year ended March 31, 2013 amount to $13,447 for the funded registered plan, $244 for the unfunded supplementary plan and $828 for the unfunded non-pension plan.

10. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost						
Balance at April 1, 2010	$ 700	$ 55,339	$ 112,995	$ 279,244	$ 1,234	$ 449,512
Additions	–	20,630	2,585	38,083	1,551	62,849
Borrowing costs capitalized	–	26	–	–	–	26
Transferred to systems and equipment	–	54	1,180	–	(1,234)	–
Disposals and retirements	–	(1,510)	(2,640)	(19,338)	–	(23,488)
Balance at March 31, 2011	$ 700	$ 74,539	$ 114,120	$ 297,989	$ 1,551	$ 488,899
Additions	–	7,983	2,552	37,061	1,785	49,381
Borrowing costs capitalized	–	–	–	–	–	–
Transferred to systems and equipment	–	1,204	–	–	(1,204)	–
Disposals and retirements	–	(6,509)	(2,388)	(18,213)	–	(27,110)
Balance at March 31, 2012	**$ 700**	**$ 77,217**	**$ 114,284**	**$ 316,837**	**$ 2,132**	**$ 511,170**

10. Property and equipment (continued):

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Depreciation						
Balance at April 1, 2010	$ –	$ 41,184	$ 80,408	$ 185,978	$ –	$ 307,570
Depreciation for the year	–	6,911	11,476	38,453	–	56,840
Disposals and retirements	–	(627)	(2,162)	(18,250)	–	(21,039)
Balance at March 31, 2011	$ –	$ 47,468	$ 89,722	$ 206,181	$ –	$ 343,371
Depreciation for the year	–	9,191	9,474	36,476	–	55,141
Disposals and retirements	–	(6,377)	(2,301)	(17,374)	–	(26,052)
Balance at March 31, 2012	**$ –**	**$ 50,282**	**$ 96,895**	**$ 225,283**	**$ –**	**$ 372,460**
Carrying Amounts						
At April 1, 2010	$ 700	$ 14,155	$ 32,587	$ 93,266	$ 1,234	$ 141,942
At March 31, 2011	$ 700	$ 27,071	$ 24,398	$ 91,808	$ 1,551	$ 145,528
At March 31, 2012	**$ 700**	**$ 26,935**	**$ 17,389**	**$ 91,554**	**$ 2,132**	**$ 138,710**

For the year ended March 31, 2012, losses on disposal of property and equipment amounted to $420 (2011: $1,777) and were included in other expenses in the consolidated statement of comprehensive income.

Borrowing costs:

During the year ended March 31, 2012, no borrowing costs were capitalized to property and equipment (2011: 7.46 per cent of borrowing costs were eligible for capitalization and borrowing costs of $26 were capitalized).

11. Intangible assets:

The intangible assets balance represents software purchased and internally-generated software assets.

	Software	Assets under development	Total
Cost			
Balance at April 1, 2010	$ 46,023	$ 3,213	$ 49,236
Acquisitions—separately acquired	16,815	118	16,933
Acquisitions—internally generated	–	1,940	1,940
Borrowing costs capitalized	–	5	5
Transferred to intangibles	3,213	(3,213)	–
Disposals and retirements	(959)	–	(959)
Balance at March 31, 2011	$ 65,092	$ 2,063	$ 67,155
Acquisitions—separately acquired	6,888	15,337	22,225
Acquisitions—internally generated	–	2,791	2,791
Borrowing costs capitalized	–	50	50
Transferred to intangibles	226	(226)	–
Disposals and retirements	(1,564)	–	(1,564)
Balance at March 31, 2012	**$ 70,642**	**$ 20,015**	**$ 90,657**
Amortization			
Balance at April 1, 2010	$ 27,135	$ –	$ 27,135
Amortization for the year	9,164	–	9,164
Disposals and retirements	(258)	–	(258)
Balance at March 31, 2011	$ 36,041	$ –	$ 36,041
Amortization for the year	11,933	–	11,933
Disposals and retirements	(1,195)	–	(1,195)
Balance at March 31, 2012	**$ 46,779**	**$ –**	**$ 46,779**
Carrying Amounts			
At April 1, 2010	$ 18,888	$ 3,213	$ 22,101
At March 31, 2011	$ 29,051	$ 2,063	$ 31,114
At March 31, 2012	**$ 23,863**	**$ 20,015**	**$ 43,878**

For the year ended March 31, 2012, losses on disposal of intangible assets amounted to $369 (2011: $701) and were included in other expenses in the consolidated statement of comprehensive income.

Borrowing costs:

During the year ended March 31, 2012, 5.77 per cent (2011: 1.18 per cent) of borrowing costs were eligible for capitalization and borrowing costs of $50 (2011: $5) were capitalized.

12. Prizes payable:

	March 31 2012	March 31 2011	April 1 2010
Lottery	$ 24,393	$ 21,650	$ 20,737
Casino and community gaming	7,017	5,548	4,746
	$ 31,410	$ 27,198	$ 25,483

13. Accounts payable and accrued liabilities:

	March 31 2012	March 31 2011	April 1 2010
Trade payables	$ 9,759	$ 7,624	$ 6,850
Accrued expenses	22,395	21,954	17,196
Harmonized sales tax payable	8,259	8,545	4,188
Other	6,481	5,869	9,585
	$ 46,894	$ 43,992	$ 37,819

14. Short-term financing:

	March 31 2012	March 31 2011	April 1 2010
Government of B.C., loan, payable in a single instalment including interest of $35 at 0.91%, unsecured, due April 4, 2012	$ 30,102	$ –	$ –
Government of B.C., loan, payable in a single instalment including interest of $40 at 0.92%, unsecured, due May 15, 2012	29,966	–	–
Government of B.C., loan, payable in a single instalment including interest of $52 at 0.92%, unsecured, due May 31, 2012	30,054	–	–
Government of B.C., loan, payable in a single instalment including interest of $63 at 0.87%, unsecured, settled April 2011	–	45,081	–
Government of B.C., loan, payable in a single instalment including interest of $16 at 0.87%, unsecured, settled April 2011	–	19,987	–
Government of B.C., loan, payable in a single instalment including interest of $22 at 0.90%, unsecured, settled May 2011	–	19,981	–
Government of B.C., loan, payable in a single instalment including interest of $8 at 0.17%, unsecured, settled April 2010	–	–	59,996
	$ 90,122	$ 85,049	$ 59,996

15. Provisions:

		Total
Balance at April 1, 2010	$	500
Provisions made during the year		800
Balance at March 31, 2011		1,300
Provisions made during the year		–
Provisions settled during the year		(293)
Provisions reversed during the year		(207)
Balance at March 31, 2012	**$**	**800**

Decommissioning:

Total provisions of $1,300 existed at March 31, 2011 in respect of the Corporation's obligation to bring certain premises, held under operating leases, back to their original states as required by the lease agreements. This includes $800 for certain current leased space and $500 for former leased space. The required work was completed during fiscal 2012 for the former leased space at a cost of $293. The unused provision of $207 was reversed.

In accordance with the lease terms, certain current leased space must be brought back to its original state. During the year ended March 31, 2011, the Corporation provided $800 for this purpose. Because of the long-term nature of this liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. Decommissioning is expected to occur in 15 years at the end of the lease term.

16. Revenue:

	2012	2011
Lottery:		
Keno	$ 234,929	$ 229,741
LOTTO MAX	197,772	248,608
Lotto 6/49	161,190	155,929
Scratch & Win	172,395	165,652
Sports Action	53,678	48,847
Extra	51,960	54,160
BC/49	43,178	42,041
PlayNow Casino	39,250	18,452
Pacific Hold'Em Poker	37,627	41,879
Pull Tabs	34,493	36,210
Special Event	20,491	10,528
Poker Lotto	9,128	–
SportsFunder	5,331	6,168
Knockout 21	–	113
Millionaire Life	–	4,051
	1,061,422	1,062,379
Casino and Community Gaming:		
Slot machines—revenue net of prizes paid[1]	1,140,704	1,126,602
Table games—revenue net of prizes paid[1]	380,973	357,087
Electronic Bingo	58,480	67,897
Paper Bingo	37,789	42,254
Poker	22,089	22,468
	1,640,035	1,616,308
Total revenue	$ 2,701,457	$ 2,678,687

1 Net win

17. Net finance costs:

	2012	2011
Finance income	$ (406)	$ (455)
Interest expense	821	344
Foreign exchange loss	43	136
	$ 458	$ 25

18. Payments to the Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

19. Payments to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 18), is paid into the consolidated revenue fund of the Government of B.C. in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of B.C. occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings. For the years ended prior to and including March 31, 2011, the Corporation remitted its net income to the Government of B.C. and Government of Canada (note 18) based on previously reported Canadian GAAP amounts.

20. Interprovincial Lottery Corporation expenses and interest revenue:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized in prize expense and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

21. Commitments:

Operating leases:

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises and vehicles are as follows:

2013	$	4,843
2014		4,636
2015		4,262
2016		3,514
2017		3,203
Thereafter		27,330

21. Commitments (continued):

Operating leases (continued):

The Corporation leases its Vancouver office and warehouse space under operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay rent and service fees that are reviewed, negotiated and possibly adjusted as necessary.

The Corporation leases a fleet of vehicles under operating lease agreements. These leases have terms that range from two to five years.

During the year ended March 31, 2012, $22,745 (2011: $15,477) was recognized as an expense in the consolidated statement of comprehensive income in respect of operating leases. Included in this amount were contingent rents totaling $305 (2011: $301). The Corporation recognized income of $1,395 (2011: $1,317) in respect of rent under cancellable operating agreements with lottery retailers.

22. Contingencies:

The Corporation has been named as a defendant in several lawsuits in the ordinary course of business. In the opinion of management, these matters are without substantial merit and accordingly no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These indemnifications are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

23. Related party transactions:

BCLC is a wholly owned Crown corporation of the Government of B.C.

All transactions with the Government of B.C. ministries, agencies and Crown corporations occurred in the normal course of operations and are at arm's length, which is representative of fair value.

Key management personnel have been defined as the members of the Board of Directors, the Corporation's President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2012		2011
Compensation and other employee benefits	$	2,913	$	3,227
Pension and post-employment benefits		343		300
	$	3,256	$	3,527

The Corporation contributes to defined benefit pension plans and a post-retirement plan. Transactions with these entities are disclosed in note 9.

Other related party transactions have been disclosed in note 19 to the consolidated financial statements.

24. Harmonized Sales Tax (HST) expense:

As a prescribed HST registrant, the Corporation makes HST remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* (the Regulations). The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional HST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to other HST registrants.

Prior to July 2010, BCLC was a prescribed Goods and Services Tax (GST) registrant making remittances to the Government of Canada pursuant to the Regulations.

25. Sector activity information:

Year ended March 31, 2012

	Lottery	Casino & Community Gaming	Consolidated
Revenue (note 16)	$ 1,061,422	$ 1,640,035	$ 2,701,457
Prizes	580,795	61,150	641,945
Net Win	480,627	1,578,885	2,059,512
Gaming support costs:			
Commissions and fees	60,599	538,951	599,550
Gaming systems, maintenance and ticket distribution	18,160	10,945	29,105
Gaming equipment, leases and licenses	5,642	12,989	18,631
Ticket printing	11,180	965	12,145
Total gaming support costs	95,581	563,850	659,431
Operating expenses:			
Employee costs	30,684	51,434	82,118
Amortization and depreciation	18,379	48,695	67,074
Advertising, marketing and promotions	22,260	9,313	31,573
Other administrative expenses	4,233	6,673	10,906
Professional fees and services	2,578	5,511	8,089
Cost of premises	1,680	4,585	6,265
Other expenses (income)	15	(754)	(739)
Net finance costs (note 17)	95	363	458
Total operating expenses	79,924	125,820	205,744
Net income before tax	305,122	889,215	1,194,337
Harmonized sales tax expense	26,137	60,765	86,902
Net income	$ 278,985	$ 828,450	$ 1,107,435

25. Sector activity information (continued):

Year ended March 31, 2011

	Lottery	Casino & Community Gaming	Consolidated
Revenue (note 16)	$ 1,062,379	$ 1,616,308	$ 2,678,687
Prizes	581,484	70,812	652,296
Net Win	480,895	1,545,496	2,026,391
Gaming support costs:			
Commissions and fees	61,731	527,997	589,728
Gaming systems, maintenance and ticket distribution	15,098	9,464	24,562
Gaming equipment, leases and licenses	3,271	13,519	16,790
Ticket printing	12,192	1,155	13,347
Total gaming support costs	92,292	552,135	644,427
Operating expenses:			
Employee costs	29,394	47,229	76,623
Amortization and depreciation	18,237	47,767	66,004
Advertising, marketing and promotions	21,444	8,049	29,493
Other administrative expenses	4,622	7,140	11,762
Professional fees and services	3,298	3,610	6,908
Cost of premises	1,146	2,899	4,045
Other expenses	84	964	1,048
Net finance costs (income) (note 17)	(46)	71	25
Total operating expenses	78,179	117,729	195,908
Net income before tax	310,424	875,632	1,186,056
Harmonized sales tax expense	20,993	59,317	80,310
Net income	$ 289,431	$ 816,315	$ 1,105,746

26. Transition to IFRS:

As stated in note 2(a), these are the Corporation's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2012, the comparative information presented in these consolidated financial statements for the year ended March 31, 2011 and in preparation of an opening IFRS statement of financial position at April 1, 2010 (the Corporation's date of transition).

In preparing the opening IFRS statement of financial position, the Corporation adjusted amounts previously reported in its consolidated financial statements prepared in accordance with Canadian GAAP, BCLC's previous basis of accounting.

The Corporation has taken the following optional and mandatory elections and exemptions, respectively, as allowed under IFRS 1 *First-Time Adoption of International Financial Reporting Standards*:

IFRS optional elections:

- Cumulative actuarial gains/losses on its pension plans have been recognized as an opening adjustment to deficit.
- The capitalization of borrowing costs as required under IAS 23 *Borrowing Costs* was applied prospectively from the transition date.
- All agreements in effect at the transition date have been assessed to determine if they contain leases based on conditions as at the transition date, and not retroactively.
- Existing provisions have been measured as at the date of transition. The standard, with regard to changes in existing decommissioning liabilities, has not been applied retroactively.

IFRS mandatory exemptions:

- Hindsight is not used to create or revise estimates. The estimates previously made by the Corporation under Canadian GAAP were not revised for the application of IFRS except where necessary, to reflect any differences in accounting policies between IFRS and Canadian GAAP.

The following reconciliations, with the accompanying notes, provide quantification of the effect of the transition to IFRS and provide details of the impact of transition on:

- Financial position at March 31, 2011 and April 1, 2010
- Comprehensive income for the year ended March 31, 2011

26. Transition to IFRS (continued):

Reconciliation of financial position as at March 31, 2011:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash		$ 48,539	$ –	$ 48,539
Short-term investments		28,970	–	28,970
Accounts receivable		24,206	–	24,206
Prepaid expenses		3,962	–	3,962
Inventories		9,541	–	9,541
Total current assets		115,218	–	115,218
Employee future benefit plan assets	A	34,302	(32,661)	1,641
Property and equipment	B	144,792	736	145,528
Intangible assets		31,114	–	31,114
Total assets		$ 325,426	$ (31,925)	$ 293,501
Liabilities				
Current liabilities				
Prizes payable		$ 27,198	$ –	$ 27,198
Accounts payable and accrued liabilities		43,992	–	43,992
Short-term financing		85,049	–	85,049
Payable to Interprovincial Lottery Corporation		3,142	–	3,142
Due to Government of British Columbia		115,757	–	115,757
Deferred revenue		7,984	–	7,984
Total current liabilities		283,122	–	283,122
Accrued post retirement benefit obligation	A	41,004	1,346	42,350
Provisions		1,300	–	1,300
Total liabilities		325,426	1,346	326,772
Deficit				
Accumulated deficit	A & B	–	(17,728)	(17,728)
Accumulated other comprehensive loss	A	–	(15,543)	(15,543)
Total deficit		–	(33,271)	(33,271)
Total liabilities and deficit		$ 325,426	$ (31,925)	$ 293,501

26. Transition to IFRS (continued):

Reconciliation of financial position as at April 1, 2010 (date of transition):

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash		$ 33,538	$ –	$ 33,538
Short-term investments		29,628	–	29,628
Accounts receivable		25,859	–	25,859
Receivable from Interprovincial Lottery Corporation		4,247	–	4,247
Prepaid expenses		3,708	–	3,708
Inventories		9,379	–	9,379
Total current assets		106,359	–	106,359
Employee future benefit plan assets	A	32,404	(20,412)	11,992
Property and equipment	B	141,472	470	141,942
Intangible assets		22,101	–	22,101
Total assets		$ 302,336	$ (19,942)	$ 282,394
Liabilities				
Current liabilities				
Cheques issued in excess of funds on hand		$ 5,635	$ –	$ 5,635
Prizes payable		25,483	–	25,483
Accounts payable and accrued liabilities		37,819	–	37,819
Short-term financing		59,996	–	59,996
Due to Government of British Columbia		128,715	–	128,715
Deferred revenue		5,776	–	5,776
Total current liabilities		263,424	–	263,424
Accrued post retirement benefit obligation	A	38,412	(1,108)	37,304
Provisions		500	–	500
Total liabilities		302,336	(1,108)	301,228
Deficit				
Accumulated deficit	A & B	–	(18,834)	(18,834)
Total liabilities and deficit		$ 302,336	$ (19,942)	$ 282,394

26. Transition to IFRS (continued):

Reconciliation of comprehensive income for the year ended March 31, 2011:

	Note	2011
Total net income, being comprehensive income for the year (under Canadian GAAP)		$ 1,104,640
Reconciling items		
Amortization and depreciation	B	266
Employee costs	A	840
Actuarial loss	A	(15,543)
Total comprehensive income for the year (under IFRS)		$ 1,090,203

Notes to the reconciliations:

(A) Under Canadian GAAP, the Corporation amortized past service costs from plan amendments or initiations on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan. In addition, cumulative gains and losses were recognized using the corridor method.

At the date of IFRS transition, all previously unrecognized cumulative actuarial gains and losses were recognized in deficit.

The Corporation's accounting policy is to amortize past service costs on a straight-line basis over the average vesting period. Past service costs are recognized immediately to the extent that the benefits are fully vested. In addition, all actuarial gains and losses are recognized immediately in other comprehensive loss. The unrecognized actuarial gains and losses exceeding the corridor that were recognized in income in the year ended March 31, 2011 under previous Canadian GAAP were reversed, and all actuarial gains and losses and vested past service costs arising in the year ended March 31, 2011 were recognized in other comprehensive loss.

The impact arising from the change is summarized as follows:

	March 31 2011	April 1 2010
Consolidated statement of financial position		
Decrease in employee future benefit plan assets	$ (32,661)	$ (20,412)
Decrease (increase) in accrued post retirement benefit obligation	(1,346)	1,108
Increase in accumulated other comprehensive loss	15,543	–
Increase in deficit	$ (18,464)	$ (19,304)

26. Transition to IFRS (continued):

Notes to the reconciliations (continued):

(A) The impact arising from the change is summarized as follows (continued):

	Year ended March 31, 2011
Consolidated statement of financial income	
Decrease in employee costs	$ 840
Increase in other comprehensive loss	(15,543)
Decrease in total comprehensive income	$ (14,703)

(B) At the date of IFRS transition and March 31, 2011, property and equipment was revalued to capture the impact of componentization of corporate facilities, systems and equipment with different estimated useful lives.

Under IFRS, the Corporation's accounting policy is to separately account for major components of property and equipment with different useful lives. Depreciation recognized under Canadian GAAP for the year ended March 31, 2011 was reduced to capture the impact of componentization arising in the year.

The impact arising from the change is summarized as follows:

	March 31 2011	April 1 2010
Consolidated statement of financial position		
Increase in property and equipment	$ 736	$ 470
Decrease in deficit	$ 736	$ 470

	Year ended March 31, 2011
Consolidated statement of comprehensive income	
Decrease in depreciation	$ 266
Increase in total comprehensive income	$ 266

appendix 1: how we measure and benchmark our performance

how our performance metrics are measured

Details of what we use each measure for and the targets for the next three years are in the BCLC's 2011/12 Performance section of this Annual Service Plan Report.

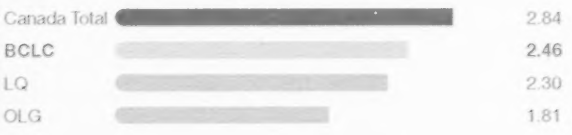
Our external performance benchmarks are obtained from the audited financial results published by the benchmark organizations, and from Lafleurs World Lottery Almanac and the Canadian Gambling Digest. The organizations to which BCLC currently benchmarks are:

- Ontario Lottery and Gaming Corporation (OLG)
- Loto-Québec (LQ); and
- Svenska Spel, the Swedish lottery, which is widely regarded as one of the most innovative international lottery and Internet gambling jurisdictions

We review the performance results published by other gambling organizations annually for additional benchmarking opportunities. The table below summarizes how we measure each metric, our benchmarks and what we do to check that the data is reliable.

	how we measure and benchmark	data reliability
performance measures: public support for gambling	Research and Incite Consultants conducts a continuous tracking study on our behalf throughout the year. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000. Participants are asked to rate their response to the statement "I fully support the existence of legalized gambling in British Columbia" on a 7-point scale, where 1 is strongly disagree and 7 is strongly agree. The result is based on an aggregate of those who rate the statement as 5, 6, or 7. Public support for gambling is internally benchmarked on a time series basis. We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.	The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining age, gender and regional balance that is consistent with Statistics Canada figures. Significance testing based on the sample size has identified a margin of error of +/- 3%.
performance measures: player awareness of responsible gambling activities	Research and Incite Consultants conducts a continuous tracking study on our behalf throughout the year. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000. Participants are asked to rate their awareness of five of our responsible gambling initiatives on a 7-point scale. The result is a net percentage of participants who were aware of at least one of the initiatives. Player awareness of responsible gambling activities is internally benchmarked on a time series basis. We do not externally benchmark, due to the BCLC specific nature of this performance measure. We have not identified similar data that is published by other gambling jurisdictions.	The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining age, gender and regional balance that is consistent with Statistics Canada figures. Significance testing based on the sample size has identified a margin of error of +/- 3%.

performance measures	how we measure and benchmark	data reliability
level of greenhouse gas emissions	BCLC uses standard calculations provided by the Province to calculate and report greenhouse gas emissions in a standard format, as required by the Province. We obtain our data from the suppliers of electricity, natural gas, fleet vehicle fuel, paper suppliers and from internal financial and procurement reporting. GHG emissions are internally benchmarked on a time series basis. Our Carbon Neutral Action Report and those of other B.C. Crown corporations are published at LiveSmart BC–Carbon Neutral Action Reports–Crown Corporations.	Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company. Paper consumption for all types of reportable paper is measured internally each month.
player participation	Research and Incite Consultants conducts a continuous tracking study on our behalf throughout the year. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000. Players are asked to score how frequently they play each of our three major lottery games, visit a casino or Chances location and use our PlayNow.com site. The result is an aggregate score for those players who played or visited at least once every month. Player participation is internally benchmarked on a time series basis. We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.	The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining age, gender and regional balance that is consistent with Statistics Canada figures. Significance testing based on sample size has identified a margin of error of +/- 3%.
player satisfaction	Research and Incite Consultants conduct a continuous tracking study on our behalf throughout the year. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000. Players who played at least once in the last 3–5 months are asked to rate on a 10-point scale how satisfied they were with their experience in our lottery retail network, hospitality network, casino, Chances, bingo halls and PlayNow.com channels. The player responses in the top five boxes for each of the six channels is divided by the number of channels the player plays in and added together to get an overall score per player. All of the player scores are added together and expressed as a percentage to get the aggregate satisfaction score. Player satisfaction is internally benchmarked on a time series basis. We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.	The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining age, gender and regional balance that is consistent with Statistics Canada figures. Significance testing based on sample size has identified a margin of error of +/- 3%.
net win per capita	Net win is the revenue after prizes have been paid to players. Casino game prizes are paid during play. For lottery and bingo games, net win is calculated by deducting prizes from net sales revenue. We use the population forecasts published by BC Stats in July of each year as the baseline for our calculations. VLT revenue is included in benchmarking results from Loto-Québec and the Canada Total comparators to give a complete picture of total spending on gambling. The Provinces of B.C. and Ontario do not permit VLTs. **2009/10 NET WIN PER CAPITA BENCHMARKS** ($ per 1,000 population) BCLC 435 Canada Total 404 OLG 362 LQ 360	Net win figures are taken from our audited statement of accounts, as published in our Annual Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan. Population figures are taken from published Statistics Canada figures for each of the years included in the Service Plan. For our benchmark comparators, net win figures are taken from the audited statements of accounts, as published in the Annual Reports of the benchmark organizations. Canada average figures are drawn from Lafleurs World Lottery Almanac and the Canadian Gambling Digest.
net income	Net income is income after prizes, direct and operating expenses and taxes have been deducted, and determined in accordance with International Financial Reporting Standards (IFRS). Net income is internally benchmarked on a time series basis. Net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels.	Net income figures are taken from our audited statement of accounts, as published in our Annual Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.

performance measures	how we measure and benchmark	data reliability
general operating costs as % of net win	Our general operating cost ratio is the sum of our direct expenses (except prizes and ticket printing), gaming support costs, general operating costs and amortization divided by our net win and expressed as a percentage. All figures are determined in accordance with International Financial Reporting Standards. BCLC's operating cost ratio remains below Canadian benchmark comparators. Svenska Spel offers a similar gambling mix to BCLC, but derives more of its net win from VLTs and Internet gambling, both of which have lower operating costs than more traditional casino gambling, from which BCLC derives the majority of its net win. **OPERATING COST RATIO** (% of net win) 	Direct expenses, gaming support costs and general operating costs are taken from our audited statement of accounts, as published in our Annual Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan. For our benchmark comparators net win and general operating costs figures are taken from the audited statements of accounts, as published in the Annual Reports of the benchmark organizations.
electronic gaming devices per 1,000 population	The number of electronic gaming devices (EGD) is calculated by BCLC. It is the number of EGDs deployed in our casino and community gaming facilities at the end of each fiscal year. We use the population forecasts published by BC Stats in July of each year as the baseline for our calculations. Gambling policy varies across the Canadian provinces. In B.C., Provincial policy excludes VLTs, limiting participation in this category to slot machines located in casino and community gaming facilities, where accessibility is restricted to adults. OLG does not have VLTs and as other jurisdictions reduce or reallocate VLTs we expect the Canada average to decline. **2009/10 DEVICES PER CAPITA BENCHMARKS** (per 1,000 population)  	The number of electronic gaming devices is verified as an asset count by our Corporate Finance team. Population figures are taken from published Statistics Canada figures for each of the years included in the Service Plan. Numbers of EGDs are drawn from Lafleurs World Lottery Almanac and the Canadian Gambling Digest.
employee engagement	Employee engagement is measured by an annual anonymous online survey of all of our employees, conducted by Ipsos Reid on our behalf. The participation rate was 87 per cent in 2011/12. The survey asks employees to rank on a 6 point scale their agreement with a broad range of statements that span all aspects of the workplace, work conditions, career and development opportunities, and BCLC's goals and programs. The overall engagement score is an aggregate of the responses to eight statements focused on organizational values, culture and objectives, with which employees have ranked their agreement in the top two points of the scale. Employee engagement is internally benchmarked on a time series basis. We do not externally benchmark, owing to the BCLC specific nature of survey questions used for this performance measure. However, BCLC compares its results to general Ipsos Reid indices.	The survey is independently conducted by Ipsos Reid, using industry standard techniques.
employee vacancy rate	The vacancy rate is the number of vacancies in the process of being filled expressed as a percentage of the total headcount. It is measured on a monthly basis. The annual result is the average of the monthly figures. Employee vacancy rate is internally benchmarked on a time series basis. We do not externally benchmark, as other gambling jurisdictions do not publish equivalent figures.	Vacancy rate is internally calculated by our Human Resources team. The total headcount is the total number of approved positions. The number of vacancies is the number of positions being actively recruited internally or externally.

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